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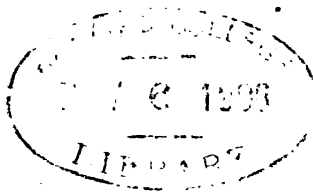
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PREFACE TO VOLUMES I. AND II.

IN undertaking the labour of compiling an index of the points dealt with by the answers to the Questions set at the Intermediate and Final Examinations of the Institute, the author has been influenced by the following considerations, which he feels are sufficiently weighty to readily commend themselves to members of the profession :

In the first place, the want of a conveniently arranged *vade mecum* for the use of Chartered Accountants has already been keenly felt by many, and it has seemed to the author that such a want might very readily be supplied by the production of this work.

Secondly, a careful study of the already published Answers to Examination Questions has convinced him that they are of such merit as to fully entitle them to a permanent position among the literature of the profession—a position they could only obtain by being made available for ready reference in such a form as that now adopted.

Thirdly, for students reading for their examinations, it is hardly possible to conceive a more profitable occupation than the study of those questions which have already recommended themselves to the Examiners as suitable for examination purposes.

These considerations have already commended themselves to many members of the profession, and the idea that an Index should be prepared, and issued, to be bound with the Questions and Answers in book form, has been so frequently suggested to the publishers that there is no longer ground for doubt that, if the efforts of the author have been well directed, the present publication will prove one of very general acceptance and considerable success.

In the preparation of the Index, it has been the aim of the author to, as far as possible, bring the information

contained in the volumes up to the present date; and, for this reason, such points as have become obsolete on account of recent legislation have been carefully excluded. The only exception to this rule has been in the case of the Companies (Winding-up) Act, 1890. This Act, while effecting very general alteration in the case of a compulsory winding up, has scarcely affected the procedure in other forms of liquidation. It has thus been impossible for the author to exclude all points that may not apply to the present state of the law without, at the same time, leaving unnoticed many considerations which still apply to a voluntary liquidation, or a liquidation under supervision of the Court. In such cases he has deemed it advisable to include in the Index the points raised, at the same time warning readers that, in all cases of Company Law, the Answers therein referred to must be read in conjunction with, and only so far as is consistent with, the Companies (Winding-up) Act, 1890.

Although every effort has been made to secure complete accuracy, both in the preparation and in the printing of the Index, the author can scarcely hope that the present edition will find its way into the reader's hands without at least some errors still remaining. If, however, his labours have, to any extent, been the means of saving to the profession the vast fund of valuable information contained in the following pages, he trusts that any shortcomings that may be observable will be weighed against the merits of his work, and that the latter will be found not altogether wanting.

PREFACE TO THE EIGHTH VOLUME.

IN compiling the eighth volume of the *Accountants' Manual*, dealing with the Questions set at the Examinations of the Institute from December 1900 to June 1902 (both inclusive) and the Answers thereto, the Editor—as on previous occasions—has aimed at giving as much information as can be reasonably said to have been suggested by the questions, rather than the bare minimum which candidates might have been expected to give at the examination itself. As a result, the present volume contains a considerable amount of information that cannot fail to prove useful both to the student and to the practitioner. This is especially the case with the volume under review, inasmuch as the questions set at these examinations during the past two years have been, in general, upon somewhat novel lines, raising in many cases points that have not previously been brought forward. The passing of the Companies Act, 1900, also introduces into the eighth volume a considerable amount of valuable information which, of necessity, could find no place in its predecessors.

In view of the fact that the answers are published as soon as possible after the examinations, it is inevitable that inaccuracies should sometimes occur. Advantage is taken of this preface to notify the following corrections:—

Page 9.—A. 3: for “2s. 2 $\frac{1}{2}$ d.” read “5s. 0 $\frac{1}{2}$ d.”; for “1 $\frac{1}{2}$ d.” read “3 $\frac{1}{2}$ d.”; for “£129 13s. 10 $\frac{1}{2}$ d.” read “£129 16s. 10 $\frac{1}{2}$ d.”

Page 263.—For “Proportion of insurance, 61 days” read “Proportion of insurance, 51 days.”

Page 564.—In “Estate Capital Account,” for “£306 1s. 9d.” read “£278 5s. 3d.”; in “Mortgage Account,” the share of Loss charged against Income (3-23rds of the whole) should be £41 14s. 9d.; the share of Loss charged against Capital (20-23rds of the whole) should be £278 5s. 3d.

Page 565.—In “Income Account,” for “£13 8s. 3d.” read “£41 14s. 9d.”

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The
Institute of Chartered Accountants
in England and Wales.

PART I. Vol. VIII. of the

ACCOUNTANTS' MANUAL

BEING

THE QUESTIONS

set at the Preliminary, Intermediate & Final
Examinations for December 1900,
with the ANSWERS thereto.

*The Answers to the Questions set at the Preliminary Examination are by Messrs.
Streeter & Streeter, of The Rectory, Orcheston St. Mary, S.O., Wilts., c/o
Messrs. Smith & Smart, 59 Bishopsgate Street Within, E.C.*

PRELIMINARY EXAMINATION, DEC. 1900.

The ANSWERS to the QUESTIONS set at the Preliminary Examination are by Messrs. STREETER & STREETER, of the Rectory, Orcheston St. Mary, S.O., Wills., c/o Messrs. Smith & Smart, 59 Bishopsgate Street Within, E.C.

ALGEBRA.

Q. 1.—Explain how a table of squares can be used to facilitate multiplication. As an example, given

$$(147)^2 = 21609,$$

$$(239)^2 = 57121,$$

find the product of 46×193 .

A. 1.—By means of the equality $x^2 - y^2 = \overline{x+y} \cdot \overline{x-y}$

Thus we have

$$\begin{aligned} 46 \times 193 &= \frac{92 \times 386}{4} \\ &= \frac{(239 - 147)(239 + 147)}{4} = \frac{(239)^2 - (147)^2}{4} \\ &= \frac{57121 - 21609}{4} \\ &= \frac{35512}{4} \\ &= 8878 \end{aligned}$$

Q. 2.—Find the Factors of

$$x^2 - 16x + 63,$$

$$6x^2 - 22x + 20;$$

and the Highest Common Factor of

$$3x^3 - 20x^2 + 7x + 30, \quad 3x^2 - 8x + 5.$$

$$\text{A. 2. } -x^2 - 16x + 63 = (x-7)(x-9)$$

$$\begin{aligned} 6x^2 - 22x + 20 &= \frac{1}{2} \left\{ (6x)^2 - 22(6x) + 120 \right\} \\ &= \frac{1}{2} \left\{ (6x-10)^2 - (6x-12)^2 \right\} \\ &= (3x-5)(2x-4) \\ &= 2(3x-5)(x-2) \end{aligned}$$

$$3x^2 - 8x + 5 = (3x-5)(x-1)$$

$$\begin{aligned} 3x^3 - 20x^2 + 7x + 30 &= (3x-5)(x^2 - 5x - 6) \text{ by trial} \\ &= (3x-5)(x+1)(x-6) \end{aligned}$$

$$\text{H. C. F.} = 3x-5$$

Q. 3.—Two women returning their ages at the census reduce them, the younger by one-fifth, the elder by one-third. This leaves the elder apparently only two years older than the younger. There is really a difference of ten years between them. What were their real ages?

A. 3.—Let x years = real age of elder
and y years = real age of younger

Then $\frac{2x}{3}$ and $\frac{4y}{5}$ = respective ages returned at census

and we have

$$\frac{2x}{3} - \frac{4y}{5} = 2 \quad (\text{i.})$$

$$x - y = 10 \quad (\text{ii.})$$

$$(\text{i.}) \times \text{by } \frac{3}{2} \quad x - \frac{12y}{10} = \frac{3}{4} \quad (\text{iii.})$$

$$\text{subtract (iii.) from (ii.) } \frac{y}{5} = \frac{37}{4}$$

$$y = \frac{185}{4} = 46\frac{1}{4}$$

$$\text{and from (ii.) } x = 56\frac{1}{4}$$

$$\text{and } y = 46\frac{1}{4}$$

whence ages are $\begin{cases} 56 \text{ years, 3 months} \\ 46 \text{ years, 3 months} \end{cases}$

Q. 4.—Find the Square Root of

$$16x^6 + 56x^5 + 49x^4 + 16x^3 + 28x^2 + 4.$$

Verify your answer by putting $x=1$.

$$\begin{array}{r|l}
 \text{A. 4.—} & 16x^6 + 56x^5 + 49x^4 + 16x^3 + 28x^2 + 4 \quad | \quad 4x^3 + 7x^2 + 2 \\
 & \underline{16x^6} \\
 & 8x^3 + 7x^2 \\
 & \underline{56x^5 + 49x^4} \\
 & 56x^5 + 49x^4 \\
 & \underline{16x^3 + 28x^2 + 4} \\
 & 16x^3 + 28x^2 + 4
 \end{array}$$

square root = $4x^3 + 7x^2 + 2$

putting $x=1$ in this result we have $4+7+2=13$

and squaring we have 169

Now putting $x=1$ in the original expression

we have $16+56+49+16+28+4=\underline{169}$

which verifies our answer.

Q. 5.—Three times the square of a certain whole number less twice the number is equal to 133. Find the number.

A. 5.— Let x = the required number

Then we have

$$3x^2 - 2x = 133$$

$$\therefore x^2 - \frac{2}{3}x + \frac{1}{9} = \frac{1}{9} + \frac{133}{3} = \frac{400}{9}$$

$$\text{taking square root} \quad x - \frac{1}{3} = \pm \frac{20}{3}$$

$$\therefore x = \frac{1 \pm 20}{3}$$

$$\text{i.e.} \quad x = 7 \text{ or } -\frac{19}{3} \quad 7 \text{ Ans.}$$

Q. 6.—A painter and decorator charges 1s. a square yard for re-decorating the ceiling of a rectangular room, and 1s. 4d. per yard run for the cornice. His bill amounts to £2 5s. for the ceiling, and £1 17s. 4d. for the cornice. Find the dimensions of the room.

A. 6.—

Let x by y = dimensions of room in yards

The area of ceiling = xy square yards

Number of yards run for cornice = $2x + 2y$ yards

Whence we have

A. 6.—(continued).

$$\begin{array}{ll}
 xy = 45 & \text{(i.)} \\
 \text{and } 1\frac{1}{2}(2x+2y) = 37\frac{1}{2} \\
 \therefore 2x+2y = 28 \\
 \text{i.e. } x+y = 14 & \text{(ii.)} \\
 \text{square (ii.) } x^2+2xy+y^2 = 196 \\
 \text{and } 4xy = 180 \\
 \text{subtract } x^2-2xy+y^2 = 16 \\
 \text{take square root } x-y = \pm 4 \\
 \text{and } x+y = 14 \\
 \text{add } 2x = 18 \text{ or } 10 \\
 \div \text{ by } 2 & x = 9 \text{ or } 5 \\
 \text{whence } & y = 5 \text{ or } 9
 \end{array}$$

Therefore required dimensions of the room are 9 yards by 5 yards.

Q. 7.—What is the power of x in each of the following expressions?—

$$\begin{array}{ccc}
 (x^5)^2, & x^5, & x^5 \times x^2, \\
 \frac{x^5}{x^2}, & \frac{x^2}{x^5}, & \sqrt[5]{x^2}.
 \end{array}$$

Given $\sqrt[5]{3} = 1.73205$, find the value of

$$\frac{1}{5 + \sqrt[5]{3}}.$$

$$\text{A. 7.—} \quad (x^5)^2 = x^{10} \quad x^5{}^2 = x^{25}$$

$$x^5 \times x^2 = x^7 \quad \frac{x^5}{x^2} = x^3$$

$$\frac{x^2}{x^5} = x^{-3} \quad \sqrt[5]{x^2} = x^{\frac{2}{5}}$$

$$\begin{aligned}
 \frac{1}{5 + \sqrt[5]{3}} &= \frac{5 - \sqrt[5]{3}}{(5 + \sqrt[5]{3})(5 - \sqrt[5]{3})} = \frac{5 - \sqrt[5]{3}}{22} = \frac{5 - 1.73205}{22} \\
 &= \frac{3.26795}{22} = .14854318 \quad \text{Ans.}
 \end{aligned}$$

Q. 8.—Solve the equations :—

$$(i.) \quad \left. \begin{aligned} x^2 + y^2 &= 45 \\ x + y &= \frac{xy}{2} \end{aligned} \right\};$$

$$(ii.) \quad 2x + \sqrt{6x+7} = 11.$$

A. 8.—

$$(i.) \quad x^2 + y^2 = 45 \quad (i.) \quad x + y = \frac{xy}{2} \quad (ii.)$$

from (ii.) $\times$ by 4	$4(x+y) - 2xy = 0$
subtract from (i.)	$(x^2 + y^2 + 2xy) - 4(x+y) = 45$
i.e.	$(x+y)^2 - 4(x+y) - 45 = 0$
factorizing	$\{(x+y) - 9\} \{(x+y) + 5\} = 0$
whence	$x+y = 9$ or -5 take +ve value
square	$x^2 + 2xy + y^2 = 81$
from (ii.)	$4xy = 72$
subtract	$x^2 - 2xy + y^2 = 9$
take square root	$x - y = \pm 3$
and	$x + y = 9$
adding	$2x = 12$ or 6
$\therefore$	$x = 6$ or 3
whence	$y = 3$ or 6

(ii.)	$2x + \sqrt{6x+7} = 11$
$\therefore$	$\sqrt{6x+7} = 11 - 2x$
square	$6x + 7 = 121 - 44x + 4x^2$
i.e.	$4x^2 - 50x + 114 = 0$
$\div$ by 2	$2x^2 - 25x + 57 = 0$
factorizing	$(2x-19)(x-3) = 0$
whence	$x = 3$ or $\frac{19}{2}$

Q. 9.—Show by actual division that

$$\frac{1}{1+x} = 1 - x + x^2 - x^3 + x^4 - \dots$$

Hence find the value of $\frac{1}{1.03}$ correct to six places of decimals.

$$\begin{array}{rcl}
 \text{A. 9.} & 1+x \left| \begin{array}{l} 1 \\ 1+x \\ -x \\ -x-x^2 \\ \hline x^2 \\ x^2+x^3 \\ -x^3 \\ -x^3-x^4 \\ \hline x^4 \\ x^4+x^5 \\ -x^5 \dots \dots \end{array} \right. & \left| \begin{array}{l} 1-x+x^2-x^3+x^4-\dots \dots \end{array} \right.
 \end{array}$$

If in the above result we put $x = .03$ we have

$$\begin{aligned}
 \frac{1}{1.03} &= 1 - .03 + .0009 - .000027 + .00000081 - \\
 &= 1.00090081 - .030027 \\
 &= .97087381 \\
 \text{Ans.} &= .970873
 \end{aligned}$$

ARITHMETIC.

Q. 1.—Find, in gallons, the contents of a cistern 6ft. 3in. $\times$ 4ft. $\times$ 4ft. 6in.; given that 1 gallon of water weighs 10lb., and 1 cubic foot of water 1,000oz.

A. 1.— Cubic contents of cistern = $6\frac{1}{2} \times 4 \times 4\frac{1}{2}$ cubic feet.

$$= \frac{225}{2} \text{ cubic feet.}$$

$$\therefore \text{weight of contents} = \frac{225000}{2} \text{ ounces.}$$

$$= 112500 \text{ ounces.}$$

$$\begin{aligned} \text{Whence quantity in gallons} &= \frac{112500}{16 \times 10} \\ &= 703\frac{1}{8}. \quad \text{Ans.} \end{aligned}$$

Q. 2.—The frontage of a rectangular building plot measures 112 feet. What must be its depth in order that the area may be 1 acre ?

A. 2.— One acre = 4840×9 square feet

$$\begin{aligned} \therefore \text{required depth} &= \frac{4840 \times 9}{112} \text{ feet} \\ &= 388\frac{1}{4}. \quad \text{Ans.} \end{aligned}$$

Q. 3.—Find the value of 3 tons 13 cwt. 17 lb. of goods at £1 15s. 6d. per cwt.

A. 3.—

	£	s	d	
	1	15	6	value per cwt.
			20	
	35	10	0	„ ton
			8	
	106	10	0	„ 3 tons
10 cwt. = $\frac{1}{2}$ of 1 ton	17	15	0	
2 „ = $\frac{1}{4}$ „ 10 cwt.	3	11	0	
1 „ = $\frac{1}{2}$ „ 2 „	1	15	6	
16 lbs. = $\frac{1}{4}$ „ 1 „		2	2 $\frac{1}{2}$	
1 lb. = $\frac{1}{16}$ „ 16 lbs.			1 $\frac{3}{8}$	
Cost of 3 tons 13cwt. 17lb.	£129	13	10 $\frac{1}{8}$	Ans.

Q. 4.—Explain what is meant by the term *Greatest Common Measure*. Find, by reducing them to their prime factors, the Greatest Common Measure of 3465 and 3927.

Simplify the fraction

$$\left(\frac{3}{17} \times 12\frac{3}{4} + \frac{5}{11} \times 1\frac{5}{8} + 2\frac{7}{16} \times 4\frac{4}{7} \times \frac{3}{13}\right) \div \sqrt{4\frac{505}{576}}.$$

A. 4.—The Greatest Common Measure is the greatest number which will divide two or more given quantities without any remainder.

$$\begin{array}{r} 5 \quad 3465 \\ 3 \quad \underline{693} \\ 7 \quad \underline{231} \\ 3 \quad \underline{33} \\ \hline 11 \end{array}$$

$$\begin{array}{r} 3 \quad 3927 \\ 7 \quad \underline{1809} \\ 11 \quad \underline{187} \\ \hline 17 \end{array}$$

$$\text{Whence} \quad 3465 = 5 \times 3 \times 7 \times 3 \times 11 \\ 3927 = 17 \times 7 \times 3 \times 11$$

$$\text{Therefore G.C.M.} = 7 \times 3 \times 11 = \underline{231}. \quad \text{Ans.}$$

$$\begin{aligned} \text{(ii.)} \quad & \left(\frac{3}{17} \times 12\frac{3}{4} + \frac{5}{11} \times 1\frac{5}{8} + 2\frac{7}{16} \times 4\frac{4}{7} \times \frac{3}{13}\right) \div \sqrt{4\frac{505}{576}} \\ &= \left(\frac{3}{17} \times \frac{51}{4} + \frac{5}{11} \times \frac{11}{6} + \frac{39}{16} \times \frac{32}{7} \times \frac{3}{13}\right) \div \sqrt{\frac{2809}{576}} \\ &= \left(\frac{9}{4} + \frac{5}{6} + \frac{18}{7}\right) \div \frac{53}{24} \\ &= \frac{189 + 70 + 216}{84} \times \frac{24}{53} \\ &= \frac{475}{84} \times \frac{24}{53} \\ &= \frac{950}{371} \\ &= 2\frac{203}{371} \quad \text{Ans.} \end{aligned}$$

Q. 5.—Explain fully when it is permissible to use the contracted method of multiplication or division.

The length of the seconds pendulum in London being 39.139 inches, find its length in centimetres correct to *three* places of decimals, using the contracted method. [1 centimetre = .3937 inches.]

If butter cost 1s. 5d. per pound in England, what is the equivalent price in crowns per kilo. in Denmark to the nearest hundredth of a crown? (Use contracted methods.) [1 kilo. = 2.2046 lb. ; 10 Danish crowns = 11s. 0½d.]

A. 5.—It is permissible to use the contracted method of multiplication or division only in the case of decimals; and then only when the first three decimal places will not be affected. In division it might be used when both dividend and divisor contain three decimal places, or even two; but in multiplication not unless both multiplier and multiplicand contain four at least, and then it will be necessary to allow something for the figure carried to the fourth place, if the figures filling it be 9 or near 9. The fifth decimal place in the multiplicand, when multiplied by a large symbol, will generally affect the third place.

$$\begin{aligned}
 \text{(ii.) Ans.} &= 39.139 \text{ inches} \\
 &= \frac{39.139}{.3937} \text{ centimetres} \\
 &= 99.388 \\
 \cdot 3937 &\overline{) 39.1390} & 99.388 \\
 &\underline{35.4390} \\
 &3.7060 \\
 &\underline{3.5488} \\
 &.1527 \\
 &\underline{1179} \\
 &348 \\
 &\underline{312} \\
 &36 \\
 &\underline{31} \\
 &5
 \end{aligned}$$

$$\begin{aligned}
 \text{iii.) } 1 \text{ kilometre} &= 2.2046 \text{ lb.} \\
 &= 2.2046 \times 17 \text{ pence} \\
 11\text{s. } 0\frac{1}{2}\text{d.} &= 132.25 \text{ pence} \\
 \text{Ans.} &= \frac{2.2046 \times 17}{132.25} \times \frac{10}{1} \text{ Danish crowns} \\
 &= \frac{22.046 \times 17}{132.25} = \frac{374.782}{132.25} \text{ Danish crowns} \\
 &= 2.834 \text{ Danish crowns.}
 \end{aligned}$$

A. 5.—(continued).

132.25	374.782	
	264.50	2.834
	110.28	
	105.80	
	448	
	396	
	52	
	52	

Q. 6.—Certain articles could be made at a profit at £2 13s. a gross, but a royalty of 15 per cent. on the *selling* price has to be paid the inventor. What must be the selling price in order to pay the royalty and leave the same profit?

A. 6.—A royalty of 15 % has to be paid, that is $\frac{15}{100}$ or $\frac{3}{20}$ of selling price. Therefore $\frac{17}{20}$ of selling price is left to pay cost and profit, which equal 53 shillings.

$$\begin{aligned}
 \therefore \frac{17}{20} \text{ selling price} &= 53 \text{ shillings} \\
 \therefore \text{Ans.} &= \frac{53 \times 20}{17} \text{ } \\
 &= \frac{1060}{17} \text{ } \\
 &= 62\frac{6}{17} \text{ } \\
 &= £3 \text{ 2s. } 4\frac{4}{7}\text{d. Ans.}
 \end{aligned}$$

I have understood the question to mean that £2 13s. 0d. = cost + profit. If it mean cost only, the question becomes indeterminate; it being further understood that the selling price and profit are each an integral number of shillings, as $\frac{17}{20}$ of former 753, the lowest value of it must be £4; which will give (as $\frac{17}{20}$ of £4 = 12s.) 15s. for profit:

$$53 + 15 + 12 = 80 \quad \therefore \text{Ans.} = £4$$

on this supposition may be correct.

Or if profit = 32s. Ans. = £5, and so on.

Q. 7.—A man invests £543 1s. 8d. in stock on which the interest is $2\frac{3}{4}$ per cent. per annum, payable half-yearly, at the price of 98. Find the amount due to him at one of the half-yearly payments, deducting income-tax at 8d. in the £.

$$\text{A. 7.— Amount of stock purchased} = \frac{543\frac{1}{4} \times 100}{98} \text{ £}$$

$$\begin{aligned} \text{Gross half-yearly income} &= \frac{543\frac{1}{4} \times 1\frac{3}{8}}{98} \\ &= \frac{6517 \times 11}{12 \times 8 \times 98} \\ &= \frac{133 \times 11}{96 \times 2} \end{aligned}$$

Net half-yearly income, after

$$\begin{aligned} \text{deducting 8d. in the £} &= \frac{1463}{192} \times \frac{232}{240} \\ &= \frac{1463 \times 29}{24 \times 240} \\ &= \frac{43297}{5760} \text{ £} \\ &= \text{£7 10s. } 3\frac{1}{4}\text{d. Ans.} \end{aligned}$$

Q. 8.—A man has a sum of £415 due to him 5 months hence. If the borrower offer to pay the debt at once, how much ought he to pay, reckoning *true* discount at $2\frac{3}{4}$ per cent. per annum?

$$\begin{aligned} \text{A. 8.— Rate} &= \frac{11}{4} \text{ per cent. per annum} \\ &= \frac{11}{400} \times \frac{5}{12} \text{ per £1 for 5 months} \\ &= \frac{11}{960} \text{ £} \end{aligned}$$

£960 produces £11 as interest

∴ £960 is present value of £977

$$\begin{aligned} \therefore \text{Ans.} &= \frac{960}{977} \times \frac{415}{1} \text{ £} \\ &= \frac{398400}{977} \text{ £} \\ &= \text{£407}\frac{3}{4}\frac{1}{4} \\ &= \text{£407.7787} \\ &= \text{£407 15s. } 6\frac{3}{4}\text{d. Ans.} \end{aligned}$$

Q. 9.—A certain piece of work can be performed by 36 men in 10 days of 9 working hours. How many men will be required working 12 hours per day to get the work done in 6 days? If the 3 hours' overtime be paid for at rates 50 per cent. in excess of ordinary time, by how much per cent. will the whole cost of the work be increased?

A. 9.— 36 men complete work in 10 days of 9 hours;

$$\therefore \frac{36 \times 10 \times 9}{6 \times 12} \quad \text{''} \quad \text{''} \quad 6 \quad \text{''} \quad 12 \quad \text{''}$$

$$\text{i.e. } 45 \quad \text{''} \quad \text{''} \quad 6 \quad \text{''} \quad 12 \quad \text{''}$$

$\therefore$ Required number of men = 45. Ans.

Let 1 = rate of pay per man per hour

original cost = $36 \times 10 \times 9 = 3240$ units

cost allowing for overtime = $45 \times 6 (9 + 3 \times 1\frac{1}{2}) = 3645$

$\therefore 405 = \text{increase on } 3240$

and $\frac{405 \times 100}{3240} = \text{''} \quad \text{''} \quad 100$

i.e., $12\frac{1}{2} = \text{increase per cent.}$ Ans.

ENGLISH COMPOSITION.

Write an essay on *one* of the following subjects :—

1. Is Compulsory Military Service desirable ?
 2. Ambition.
 3. The Life of—
 - (a) Napoleon I., or
 - (b) Oliver Cromwell.
-

ESSAY ON VIRGIL.

The following is given as a specimen of style :—

In the works of the three most powerful Latin poets we find three distinct styles and types of poetry. A light vein runs throughout Ovid's compositions, at times betraying his unattractive and unenviable character ; while the Odes of Horace are filled with strong, terse phrases, which often render his meaning obscure and difficult of comprehension. Virgil wrote of his country and his countrymen, of Roman manners and Roman customs ; wherever it was possible, he uttered words in praise of the city which was then the greatest in the world.

Publius Virgilius Maro was born in the village of Andes, situated in the north of Italy on the River Mincius, running into the Padus, and a few miles from Mantua. In our age he would have been considered exceedingly low-born, as his father followed the trade either of a bricklayer or a potter ; but at that time he would have held precisely the same position as the son of a modern business-man. His father wished him to have as liberal an education as the country could afford, and slaved in his calling

that he might earn sufficient means for this purpose. He sold honey and felled trees in his determination to make a moderate fortune. At last his efforts were rewarded, and he was able to send his son to a school in the town of Cremona, about thirty-five miles from his native Andes. Here the young Virgil, who seems to have been of a thoughtful disposition, spent many years in quiet study. It was at Cremona that he formed a friendship with Asinius Pollio, who became a great man in after life, and was the first to recognise our hero's poetical talent. Virgil, after leaving Cremona, led a peaceful and retired life on a farm, where, doubtless, he combined agricultural with intellectual labour. Unfortunately, after the battle of Philippi, his farm was taken from him by the soldiers, and he only escaped death by swimming a river, on the farther bank of which a friend, whom he had known at Cremona, assisted him to elude his enemies. Robbed of his farm, though still in possession of a competence, he journeyed to Rome, where it is probable that he met Horace, who became numbered among the foremost of his friends. The society of each poet, both of whom were lovers of refinement and culture, must have been very congenial to the other.

Virgil suffered all through his life a great misfortune in his delicate health, which obliged him to live in a warm climate. On this account he went to Naples. There he composed the "Georgics," the reminiscences of his farm life and country pursuits. He was also at this time engaged in writing the "Æneid," and though warned by his friends that he was endangering his life, sailed to Greece, where he thought he would be better situated for collecting further materials for his great poem. After a long sojourn abroad he began the return voyage homewards to Italy. To the alarm of his friends who were travelling with him, he fell ill on the ship, and soon began to show signs of approaching death. He entreated his friends, when he knew that he had not long to live, to destroy the "Æneid," which he considered incomplete; but fortunately it was

preserved, and though a few insignificant lines are unfinished, all the books are perfectly connected with each other, and the story is wholly entire. Virgil died before Naples had been sighted.

The sixth book had been read to the Emperor before he started on his voyage to Greece.

Although the poet lived in an age when morality and virtue were hardly taken into consideration in the estimation of a man's character, and when a good life was a rare thing to meet with, Virgil's honour was unsullied by the stain of vice, and he preserved an unbroken reputation for goodness till the end of his days. His poetry bears witness to his love for whatever is pure and noble.

Homer's rolling hexameters were the first true poetry that the world had seen. Hence, later poets were almost obliged to take him for their model. Thus we find that Virgil has imitated Homer to a very large extent. He has imitated many similes in the "Iliad" and the "Odyssey," proving that the Latin tongue is well adapted for metaphorical language. He has imitated Homer in the formation of his plot, with one difference. While Homer takes the side of the Greeks in the siege of Troy, and sings of the wanderings of the Greek hero, Odysseus, Virgil takes the side of the Trojans, and recounts the adventures of the Trojan Æneas—for Æneas was supposed to be the father of the Latin race.

There is no false sentiment in the "Æneid." Virgil tells of human men and women, human joy, human suffering. In one respect only has he failed, and in this respect Homer has triumphed over him. Homer's Odysseus, "the man of many wiles," is a real person, who thinks and talks in a very clever way, but at the same time naturally. Virgil's Æneas, on the other hand, is an uninteresting character, and at times is even

capable of deliberately doing wrong, as in the case of his cruel desertion of Dido, the Queen of Carthage. But Virgil excels when the laboured picture of Æneas' character is farthest from his mind. In his descriptions of Nature he is without a rival: the reason of this being due partly to the fact that in his early life he spent so much time on his farm, and in observing the order and uniformity of Nature around him; and partly to his natural instinct, which clothed whatever was good and beautiful in the garb of true poetry.

He sang to men of natural tastes, and this is why he was always so popular among his fellow-men. As one of our great masters of English style has remarked, "He is not the poet of an age, but of all time."

GEOMETRY.

Q. 1.—Show how to bisect a given angle.

From a point A a straight line is drawn, cutting another straight line BC in D. Show that the lines bisecting the angles ADB, ADC are at right angles.

A. 1.—Euclid, Book I., prop. 9.

Straight line AE is drawn, cutting BC in D.

Straight line GD is drawn, bisecting angle ADB.

And straight line FD is drawn, bisecting angle ADC.

Produce FD towards D to H.

Then angles FDG, GDH = two right angles.

(Euclid, Book I., prop. 13.)

Also angle FDC = angle BDH.

(Euclid, Book I., prop. 15.)

And angle ADF = angle FDC.

(Construction.)

$\therefore$ angle ADF = angle BDH.

And angle ADG = angle GDB.

(Construction.)

$\therefore$ angle FDG = angle GDH.

Whence angle FDG = half of two right angles = a right angle.

i.e., FD and DG are at right angles.

Q.E.D.

Q. 2.—Given only a pair of compasses and a ruler, how would you construct angles of (i.) 90° , (ii.) 120° , (iii.) 15° , (iv.) 52.5° ?

A. 2.—Draw a straight line AB with ruler, bisect it in C.

(i.) With compasses from centre C and distance CA, describe the semicircle ADB.

In circumference take any point D, join AD, DB.

The angle ADB being in a semicircle is a right angle, and is 90° .

(ii.) Produce AD to E.

On DE describe an equilateral triangle DEF.

(Euclid, Book I., prop. 1.)

Then angle EDF is 60° .

$\therefore$ angle ADF is 120° .

(iii.) Bisect angle FDB by DG. (Euclid, Book I., prop. 9.)

Then angle GDB is 15° .

(iv.) And angle GDA is 105° .

Bisect angle GDA by DH.

Then angle HDA is 52.5° .

Q. 3.—How would you construct a triangle with sides 3, 4, and 5 inches long?

Can you find the magnitude of any one of the angles of the above triangle?

A. 3.—Draw any straight line AB.

Produce it to C and D, so that $BC = AB$ and $DC = AB$.

Then $AD = 3 AB$.

From D draw $DE \perp$ to AD and make it $= AD$.

Produce DE to F so that $EF = AB$.

$\therefore DF = 4 AB$.

Join AF.

$AF^2 = AD^2 + DF^2$.

(Euclid, Book I., prop. 47.)

$= 9 AB^2 + 16 AB^2$.

$= 25 AB^2$.

$\therefore AF = 5 AB$.

$\therefore ADF$ is triangle required.

The angle D is by construction a right angle, and is opposite AF, the hypotenuse.

Q. 4.—Assuming that the area of a triangle is equal to half that of a rectangle on the same base and of the same height, prove that the area of a quadrilateral, two of the sides of which are parallel, is

equal to half the sum of the parallel sides multiplied by the distance between them.

A. 4.—Let $ABDC$ be a quadrilateral, of which AB is parallel to CD .

Produce AB to E , and make $BE = CD$.

From D draw $DK \perp$ to AE . Join AD .

From C draw $CM \perp$ to CD , $AL \perp$ to DC produced, and $EH \perp$ to LD produced.

Area $ABDC = \text{area (triangle } ACD + \text{triangle } ADB).$

$= \frac{1}{2} \text{ area rectangle } MCDK + \frac{1}{2} \text{ area rectangle } LB.$

$= \frac{1}{2} \text{ area (rectangle } BH + \text{rectangle } LB).$

$\therefore BE = CD.$

$\therefore \text{ area } ABDC = \frac{1}{2} \text{ area rectangle } ALHE.$

$= \frac{1}{2} (AB + BE) \times KD.$

$= \frac{1}{2} KD \times (AB + DC).$

Q.E.D.

Q. 5.—Prove, geometrically, that if a straight line be divided into two parts, the square on the whole line is equal to the sum of the squares on the two parts together with twice the rectangle contained by the parts.

A. 5.—Euclid, Book II., prop. 4.

Q. 6.—Show how to divide a straight line into two parts so that the rectangle contained by the whole and one part may be equal to the square on the other part.

A. 6.—Euclid, Book II., prop. 11.

Q. 7.—Prove that the angle in a semicircle is a right angle.

A. 7.—Euclid, Book III., prop. 31.

Q. 8.—Show how to find the centre of a circle passing through three given points.

A. 8.—Let A, B, and C be the three given points.

Join AB, AC, and BC.

Bisect AB in E and AC in F.

Draw EG and FG at right angles to AB and AC, meeting in G.

Then by prop. 5, Book IV., it can be shown that G is the centre of the circle described about triangle ABC,

And $\therefore$ is centre of circle passing through the three given points. Q.E.D.

Q. 9.—A quadrilateral is described so that its sides touch a circle. Show that one pair of opposite sides is equal to the other pair.

A. 9.—Let the quadrilateral figure ABCD touch the circle EFGH at the points E, F, G, and H, and let O be the centre.

Join AO, cutting circle in N, and produce it to meet concave circumference in K.

Then, since AE and AH both touch circle, therefore the squares on AE and AH are each equal to the rectangle KA.AN.

(Euclid, Book III., prop. 36.)

That is, $AE = AH$.

Similarly, it may be shown that—

$$EB = BF \therefore AB = AH + BF.$$

$$DG = DH.$$

$$GC = CF \therefore DC = HD + CF.$$

$$\therefore AB + DC = AD + BC.$$

$\therefore$ one pair of opposite sides = other pair.

Q.E.D.

HISTORY AND GEOGRAPHY.

(*Eight of the following ten questions should be attempted.*)

Q. 1.—How long did the Roman occupation of Britain last? Give an account of its chief features and results.

A. 1.—Three hundred and forty-eight years, reckoning from Agricola's first campaign in 78 A.D.

The Romans did not colonise Britain, but lived in it as the English in India; but their language and cultivation spread over the Island south of the Wall. Still, an invasion by the northern tribes was often the cause of a flutter of revolt among the Britons. Several large towns were built, as London, Verulamium, and Uriconium: roads were made, villas were built. Christianity was planted and spread in the second century.

Q. 2.—What was the first home of the English before they came to Britain? Draw a map to show the kingdoms they founded in this Island.

A. 2.—Angeln, a small district in the modern duchy of Schleswig, and the coasts of Jutland, North Germany, by the banks of the Elbe and Weser, and Holland.

The kingdoms founded were Kent, Sussex, Essex, occupying the places of the modern counties of those names; East Anglia, those of Suffolk, Norfolk, and extending to Lincolnshire; Wessex, those of Surrey, Berks, Hants, Wilts, Dorset, and Somerset; Northumbria, those of Yorkshire, Durham, Northumberland, and the East Coast of Scotland to Edinburgh; Mercia, the midland counties between the Humber, Thames, and Severn, being at first the basin of the Trent.

Q. 3.—Relate briefly the causes of Becket's quarrel with his King. Who was the King? What happened to Becket?

A. 3.—The privileges of the clergy and the bounds of papal authority. The King was Henry II. The question was debated at Clarendon. The famous Constitutions enacted that :

(1) Prelates were to do homage to the King, saving the rights of their order, and not to leave the Kingdom to appeal to the Pope.

(2) Clergy were to be tried by a Church Court, but sentenced by a lay Judge.

(3) Vacant sees and benefices to remain in the King's custody, and not to be filled by the Pope.

(4) The sons of serfs not to be made priests without the consent of their lord.

Becket was murdered at Canterbury 1170 A.D.

Q. 4.—Write a short account of the career of Simon de Montfort.

A. 4.—Simon de Montfort, partly of English extraction, came to England A.D. 1230, and received the title of Earl of Leicester, which had been that of his great uncle, and married the King's sister Eleanor, 1238. He joined a crusade in 1240, and returned to Leicester, 1243. Then he was Governor of Gascony, 1248-53. He became the leader of the English Barons against the King, 1257, and one of the Council of Fifteen that drew up the Provisions of Oxford. He governed England for three years from 1262 (so well, that the people called him the righteous Earl), and instituted the House of Commons in 1265. He defeated the King and took him prisoner at Lewes in 1264, but was himself defeated and killed at Evesham in 1265.

Q. 5.—On what grounds did Edward III. lay claim to the French throne ? Give the dates of the beginning and the end of the fighting known as the " Hundred Years' War," and mention, with dates, the names of *four* battles in the course of it.

A. 5.—As being a nearer relative to his uncle, Charles IV., of France, than Philip VI., of Valois, who actually succeeded and was his first cousin. He claimed that, though by the Salic law a woman could not succeed, yet she could transmit a claim to her male offspring. Yet, even so, Charles, King of Navarre, had a superior claim to his own.

The "Hundred Years' War" lasted from 1346 to 1453 A.D.

Battles: Crecy, 1346; Poitiers, 1356; Agincourt, 1415; Verneuil, 1424.

Q. 6.—Relate carefully the events in the English Conquest of Ireland in the reigns of Queen Elizabeth and of King James I.

A. 6.—On the death of O'Neill, Earl of Tyrone, the English Government recognised his eldest son as heir; but the people chose the younger son, Shane, who defeated the Deputy (Sussex). Shane remained master and invaded Connaught; but was after defeated by Sir Henry Sidney and murdered by his own followers, 1567.

In 1579 the Papacy fixed on Ireland as the best ground of attack against Elizabeth; 2,000 Spanish soldiers, accompanied by a Legate, landed, but being forced to surrender by Lord Grey, were put to the sword, and the Earl of Desmond became a fugitive.

In 1598 Hugh O'Neill, who had been made Earl of Tyrone, treacherously revolted. The Earl of Essex failed to cope with him; but Lord Mountjoy defeated a Spanish force which landed at Kinsale, took O'Neill prisoner, and brought the affair to a close.

Chichester, the next Deputy, tried to introduce the English system of justice and property.

In 1610 James I. introduced the plantation of Ulster; two-thirds of that province were confiscated and allotted to Scotch and English settlers, and the Corporation of London acquired Derry. The measure undoubtedly made Ulster prosperous; but it cannot be defended, and it alienated the natives.

Q. 7.—Write brief accounts of the authors and contents of—*The Pilgrim's Progress*, *Utopia*, *Paradise Lost*, *David Copperfield*.

A. 7.—John Bunyan, a native of Elstow, near Bedford, was born 1628. He was a tinker, and seems to have passed a careless but not immoral youth, and married early. He fought in the Civil War, probably on the side of the Parliament. Joining the Baptists in 1653, he was arrested for preaching in 1660, and remained twelve years in prison at Bedford. There he wrote his "Pilgrim's Progress." On his release in 1672, he became a much-followed preacher, dying in London in 1688. He wrote besides "The Holy War" (1682), and "The Life and Death of Mr. Badman" (1680), &c. The object of "The Pilgrim's Progress" is to represent, under the figure of a journey taken by a pilgrim from the city of Destruction to the heavenly city, the course of a Christian's life in his passage through this life to the world to come. The first part contains the journey of Christian; the second, that of his wife and four sons.

Thomas More was born in 1480 in London, became an inmate of the house of Cardinal Morton, a favourite with King Henry VIII., and Speaker of the House of Commons in 1523. Being employed in a political mission at Antwerp, he laid there the scene of the conversations which usher in the description of "Utopia," i.e., Nowhere—being the idea of a "Happy Republic." In 1521 he was Treasurer of the Exchequer, and in 1529 became Chancellor. He resigned in three years, from his refusal to promote the King's divorce; and on his refusal to take the oath declaring it valid, was sent to the Tower, found guilty of treason, and executed 1535.

His "Utopia" is described by an imaginary Portuguese sailor as a State where private property does not exist, where the penal code is excessively mild, and every religious opinion is tolerated. It was printed in 1516, before the Reformation was at all notorious.

John Milton was born in London 1608, and proceeded to Christ's College, Cambridge, in 1625. He published some of the smaller poems early, and made a tour abroad in France and Italy in 1638. He became the literary defender of the Parliament in the Civil War, and Cromwell's Secretary. In 1654 he became blind. He finished "Paradise Lost" in 1665; "Paradise Regained" and "Samson Agonistes" came out in 1671. His death took place in 1674.

"Paradise Lost" is the greatest English epic poem, not unworthy to rank with the *Iliad* and *Æneid*. It describes the creation of man, the Fall and its consequences. Satan is a very prominent character.

Charles Dickens was born near Portsmouth in 1812, and became a reporter for the press. He brought out "Sketches by Boz," in 1836, and then established his fame by the "Pickwick Papers." "Nicholas Nickleby," "Oliver Twist," and others, followed. In 1842 he published "American Notes," and then began his Christmas stories by the "Christmas Carol." "Household Words" was a prosperous periodical, to be followed in 1857 by "All the Year Round." His last work, which he left unfinished, was "The Mystery of Edwin Drood." "David Copperfield" came out in 1850, and was supposed to represent, to a certain extent, the fortunes of the author, Micawber being sketched from his father. It is the history of a young orphan who is adopted by an eccentric aunt, and marries a pretty non-entity whom he calls his child-wife.

Q. 8.—Who was the Young Pretender? Tell the story of the rising of 1745.

A. 8.—The Young Pretender was Charles Edward Stuart, grandson of James II., who attempted to drive George II. from the throne of England.

He landed on the west coast of Scotland, and, being joined by Cameron of Lochiel and various Highland chiefs, marched for

Edinburgh. Just outside the city he defeated Sir John Cope, the Royalist general, at Prestonpans, and became possessed of all Scotland. He then commenced the invasion of England, but was joined by very few English, owing to the failure of the rising of 1715. The advance was continued to Derby, whence his Highland followers forced him to retreat much against his inclination.

On his way back he defeated General Hawley at Falkirk, and his followers dispersed for the winter. They mustered again in the spring of 1746, but were crushed at Culloden by the Duke of Cumberland, April 16th. The Prince led a wandering life, like his great-uncle Charles II., and eventually escaped by the aid of his faithful adherents, especially Flora Macdonald.

Q. 9.—What led to the American War of Independence? What was its result?

A. 9.—It originated in the New England States refusing to be taxed by the British House of Commons, in which they were unrepresented. It was quite just that they should help to pay for their deliverance from French aggression by the conquest of Canada in 1759; but the violence shown at Boston when the taxed tea was thrown into the sea, rendered it difficult for the English Ministry to give way. A rebel Congress met at Philadelphia, 1774; and the next year engagements with the royal troops took place at Lexington and Bunker's Hill. In 1776 the Colonies declared themselves independent, and after a success at Ticonderoga, Burgoyne, the English general, surrendered at Saratoga Springs. Most ungenerously and without just cause of complaint France declared war against England, and was followed by Spain and Holland. After conflicts of various fortune, Cornwallis surrendered to Washington; the independence of the Colonies was recognised at the Peace of Versailles in 1783; and the republic of "The United States of North America" became one of the Powers of the world.

Q. 10.—Show the need that existed for “Parliamentary Reform” before 1832. Indicate, with dates, the chief provisions of the various Reform Acts.

A. 10.—The need of Parliamentary Reform had occupied the mind of Pitt before the great war, and after the peace a dinner of Reformers took place at the London Tavern. In 1821 the Yorkshire Petition was presented signed by 17,000 men. The need for such reform had been produced by changes caused by lapse of time. Many boroughs which sent members to Parliament had declined in population; some almost ceased to exist except in name—*e.g.*, Old Sarum. Many large towns had grown up but were not represented. The great middle class had increased enormously and was imperfectly represented.

By the Act of 1832 all boroughs with less than 2,000 inhabitants ceased to return members; all with less than 4,000 were restricted to one. The 143 seats thus gained were given to the great towns. The constituency in boroughs was composed of the occupiers of houses of the rent of £10 per annum. In the counties the voters were freeholders to the value of £2, copyholders of £10 per annum, leaseholders of £10 for 60 years or £50 for 20 years, and tenants paying a rent of £50.

In 1867 Mr. D’Israeli carried a measure giving household suffrage in boroughs, and the county franchise was reduced to £12. Votes were also given to lodgers.

In 1884 Mr. Gladstone carried a third Reform Bill, giving the franchise to agricultural labourers as that of 1867 had to artisans; and the boundaries of voting areas were much modified.

(The two following questions must *also* be attempted.)

Q. 11.—Sketch the outline of Ireland from Malin Head on the North to Wicklow Head on the East Coast. Mark the positions of Bangor, Belfast, Downpatrick, Drogheda, Dublin, Dundalk, Kingstown, and Londonderry; of the mouths of the Boyne and the Liffey; and of Loughs Foyle, Larne, and Strangford.

A. 11.—Malin Head, in co. Donegal, the most northernly point; then proceeding east comes Lough Foyle, at the south of which is Londonderry on the River Foyle; then Rathlin Isle and Fair Head in co. Antrim; Larne Lough and Belfast Lough, in which is Carrickfergus, Belfast at its south end and Bangor on its north-east; then Strangford Lough, in co. Antrim, with Downpatrick; then Dundrum Bay and Carlingford Lough; Dundalk Bay and Dundalk in co. Louth; the River Boyne, at the mouth of which is Drogheda; then Mornington Bay off co. Meath, Malahide in co. Dublin, the River Liffey, which empties itself into Dublin Bay, in the centre of which is Dublin and Kingstown on its south; then Bray, Wicklow town and country, and Wicklow Head.

Q. 12.—Draw an Outline Map of China from Korea Bay to Hong-kong. Mark the positions of Port Arthur, Tientsin, Kiao-chau, Chusan, Foo-chow, Amoy, Swatow, Canton, and We-hai-wei; of the Yellow Sea and the Gulf of Pe-chi-li.

What is meant by a "Treaty Port"?

A. 12.—Port Arthur is at the end of the Liaotung Peninsula, in the province of the same name, in the Gulf of Pe-chi-li, off the province of the same name; Tientsin is the port of Peking at the mouth of the Peiho. Then comes the province of Shantung, in which is the principal mouth of the River Hoang-ho, Wei-hai-wei, and Kiao-chau, round the promontory. Then the province of Kiangsu, in which are Nanking and Shanghai; the Yellow Sea is between these provinces and the Peninsula of Corea. Then follows the province of Chekiang, off which are the Chusan Islands. Then Fokien, in which are Foo-chow and Amoy, and off it lies the Island of Formosa. Then comes the province of Kwantung, in which are Swatow, Hong-kong, and Canton.

A "treaty port" is one at which foreign nations are allowed by the Chinese to trade by treaty.

LATIN (ELEMENTARY).

Q. 1.—Decline in the singular *caro*, *Juppiter*, *cornu*, *supellex*. Decline in the plural *imbres*, *crura*. Decline *deus* throughout. State the meaning and gender of each of these words.

A. 1.—

Sing., Nom., and Voc.	<i>Caro</i>	<i>Juppiter</i>
Acc.	<i>Carnem</i>	<i>Jovem</i>
Gen.	<i>Carnis</i>	<i>Jovis</i>
Dat.	<i>Carni</i>	<i>Jovi</i>
Abl.	<i>Carne</i>	<i>Jove</i>
Gender.	<i>Fem.</i>	<i>Masc.</i>
Meaning	<i>Flesh</i>	<i>Jupiter</i>
Sing., Nom., and Voc.	<i>Cornu</i>	<i>Supell-ex</i>
Acc.	<i>Cornu</i>	„ -ectilem
Gen.	<i>Cornus</i>	„ -ectilis
Dat.	<i>Cornu</i>	„ -ectili
Abl.	<i>Cornu</i>	„ -ectile
Gender.	<i>Neut.</i>	<i>Fem.</i>
Meaning	<i>Horn</i>	<i>Furniture</i>
Plu., Nom., Voc., and Acc.	<i>Imbres</i>	<i>Crura</i>
Gen.	<i>Imbrium</i>	<i>Crurum</i>
Dat. and Abl.	<i>Imbribus</i>	<i>Cruribus</i>
Gender.	<i>Masc.</i>	<i>Neut.</i>
Meaning	<i>Rain</i>	<i>Leg.</i>
	<i>Singular.</i>	<i>Plural.</i>
Nom. and Voc.	<i>Deus</i>	<i>Dei, dii or di</i>
Acc.	<i>Deum</i>	<i>Deos</i>
Gen.	<i>Dei</i>	<i>Deorum or deum</i>
Dat. and Abl.	<i>Deo</i>	<i>Deis, diis, or dis</i>

Q. 2.—Decline in the singular *acer leo*, *alia res*. Decline in the plural *ea maria*. Decline *ipse* throughout. State the meanings of these words.

A. 2.—	<i>Singular.</i>	<i>Singular.</i>
Nom. and Voc.	Acer leo	Alia res
Acc.	Acrem leonem	Aliam rem
Gen.	Acris leonis	Alius rei
Dat.	Acri leoni	Alii rei
Abl.	Acri leone	Alia re
<i>Meaning</i>	A vigorous lion	Another thing

Plural.

Nom., Voc., and Acc.	Ea maria
Gen.	Eorum marium
Dat. and Abl.	Eis maribus
<i>Meaning</i>	Those seas

	<i>Singular.</i>	<i>Plural.</i>
Nom.	Ips -e -a -um -i -ae -a	
Acc.	„ -um -am -um -os -as -a	
Gen.	Ipsius	-orum -arum -orum
Dat.	Ipsi	- Ipsis
Abl.	„ -o -a -o „	

Meaning—Self

Q. 3.—Give the comparative, the superlative, and the meaning of the following adjectives :—*audax*, *vetus*, *frugi*, *multus*. Write down in Latin :—to a younger son ; of richer masters ; on the top of the mountain.

A. 3.—	<i>Comp.</i>	<i>Super.</i>	<i>Meaning.</i>
Aud-ax	-acior	-acissimus	Bold
Vet-us	-erior or -ustitior	-errimus	Old
Frug-i	-alior	-alissimus	Useful
Multus	Plus	Plurimus	Much

A. 3.—(*continued*).

(Natu) minori filio
Ditiorum magistrorum
In summo monte

Q. 4.—Decline *tres* throughout. Write down in Latin :—*each of the boys loves his own work ; some one is with me ; one says this, the other that ; he ought to have heard the King.*

A. 4.—	Plural.	Mas. & Fem.	Neut.
	Nom., Acc., and Voc.	Tres	Tria
	Gen.		Trium
	Dat. and Abl.		Tribus

Quisque puerorum suum opus amat
Quidam mecum est
Alius hoc, alius illud dicit
Rex illi audiendus est.

Q. 5.—Conjugate the future indicative active of *audio* and *possum*, and the present subjunctive passive of *amo* and *fero*. Write down in Latin :—*be ye ruled ; he is unwilling ; they will have been ; he wished to go ; he was hating.*

A. 5.—

Future. Ind. Ac.

Sing.	1st per.	Audi-am	Pot-ero
„	2nd „	„ -es	„ -eris
„	3rd „	„ -et	„ -erit
Plu.	1st per.	„ -emus	„ -erimus
„	2nd „	„ -etis	„ -eritis
„	3rd „	„ -ent	„ -erunt

A. 5.—(continued).

Pres. Sub. Pass.

<i>Sing.</i> 1st per.	Am-er	Fer-ar
„ 2nd „	„ -eris	„ -aris
„ 3rd „	„ -etus	„ -atur
<i>Plu.</i> 1st per.	„ -emur	„ -amur
„ 2nd „	„ -emini	„ -amini
„ 3rd „	„ -entur	„ -antur

Regimini.

Nonvult.

Fuerint.

Cupivit ire.

Oderat.

Q. 6.—Give the principal parts and the meaning of *crepo*, *juvo*, *mulceo*, *spondeo*, *flecto*, *sino*, *texo*, *reperio*, *reor*, *nitor*.

A. 6.—

<i>Pres.</i>	<i>Inf.</i>	<i>Perf.</i>	<i>Sup.</i>	<i>Meaning.</i>
Crep-o	-are	-ui	-itum	Creak
Ju-vo	-are	-vi	-tum	Help
Mul-ceo	-cere	-si	-sum	Caress
Spo-ndeo	-ndere	-spondi	-nsum	Vow
Fle-cto	-ctere	-xi	-xum	Bend
Si-no	-nere	-vi	-tum	Allow
Tex-o	-ere	-ui	-tum	Weave
Rep-erio	-erire	-peri	-ertum	Find
Reor	reri	ratus sum		Think
Ni-tor	-ti	-sus sum or -xus sum		Strive

Q. 7.—(a) What is a *concessive clause* ? How is it expressed in Latin ? (b) What is the use of the supine in *-um* ? Illustrate your answers by examples.

A. 7.—(a) A concessive clause expresses a qualification to a statement introduced by some such conjunction as “although” —e.g., “Phocion was poor, although he might have been very rich.”

It is introduced in Latin by *etsi*, *quamvis*, *quamquam*, *licet*, *quum*, *ut*.

Generally, if the concession be considered as really existing, the indicative mood follows the conjunction; if as merely possible, the subjunctive.

Etsi takes either mood.

Quamvis takes the subjunctive more often than the indicative, except in poetry. *Quamquam* the reverse.

Licet, *quum*, and *ut*, are joined to the subjunctive.

Examples.

Etsi res bene gesta est, corde suo trepidat.

Memimi, tametsi nullus moneas.

Quod turpe est, id, quamvis occultetur, tamen honestum fieri nullo modo potest.

Romani, quamquam praelio fessi erant tamen procedunt.

Improbilas, licet adversario molesta sit, judici invisita est.

Phocion fuit pauper, quum divitissimus esse posset.

Ut desuit vires, tamen laudanda est voluntas.

(b) The supine in -um follows verbs of motion to signify a purpose :—

Lusum it Mæcenias, dormitum ego.

Also with *iri* it forms the future infinitive passive :—

Audierat non datum iri filio uxorem suo.

Q. 8.—Translate into English :—

(a) *Non est, crede mihi, sapientis dicere “Vivam.”*

(b) *Multorum sanguine victoria stetit.*

(c) *Quid dicam hac juventute ?*

- (d) Ea est Romana gens quae victa quiescere nesciat.
- (e) Dedit mihi omnes libros quos frater suus reliquisset.

A. 8.—

- (a) It is not, believe me, the part of a wise man to say,
“ I will live.”
- (b) The victory cost the blood of many.
- (c) What shall I say in this youth (of mine) ?
- (d) The Roman nation is such as knows not how to rest
conquered.
- (e) He gave me all the books which his brother had left.

Q. 9.—Translate into Latin :—

- (a) An unwilling man is not easily persuaded of anything.
- (b) One thousand four hundred soldiers marched out of the
city.
- (c) O, that I had been able to come to your aid !
- (d) If he is here on the first of May I shall see him.
- (e) They said that the old man was returning to Rome.

A. 9.—

- (a) Invito non facile persuasum est de aliqua re.
- (b) Mille et quadrigenti milites ex urbe profecti sunt.
- (c) Ultinam tibi subvenire potuissem.
- (d) Si adsit Kal-Mai. eum videbo.
- (e) Dixerunt senem rediturum esse Romam.

INTERMEDIATE EXAMINATION, DEC. 1900.

BOOKKEEPING AND ACCOUNTS

(INCLUDING EXECUTORSHIP ACCOUNTS).

Q. 1.—In arriving at the amount of Estate Duty to be paid on a deceased's Estate, how would you deal with the following items ?

- (1) Legacies.
- (2) Debts due at Decease.
- (3) Death Duties.
- (4) Funeral Expenses.
- (5) Executorship Expenses.

A. 1.—(1) Must pay on legacies, but it shall be lawful for the Treasury to remit the estate duty or any other duty leviable on or with reference to death, in respect of any such pictures, prints, books, manuscripts, works of art or scientific collections, as appear to the Treasury to be of national, scientific, or historic interest, and to be given or bequeathed for national purposes, to any university, or to any county council or municipal corporation ; and no property, the duty in respect of which is so remitted, shall be aggregated with any other property for the purpose of fixing the rate of estate duty (57 & 58 Vict. c. 30, sect. 15). And where, on the death of a deceased person, estate duty becomes payable by a person in respect of any property passing under a settlement made by a will or disposition which took effect before the commencement of the principal Act (Part 1 of the Finance Act, 1894), and before that commencement, any duty mentioned in paragraphs three to five of the first schedule to the principal Act (including the legacy duty or succession duty at the rate of 1 per cent.), has been paid or is payable under the same will or

disposition on the capital value of the property, the Commissioners of Inland Revenue shall allow the duty so paid or payable as a deduction from the estate duty to the extent to which it has been paid or is payable in respect to the property on which the estate duty is payable.

(2) These may be deducted.

(3) Except as stated above, no deduction is allowed for other death duties.

(4) These may be deducted.

(5) No deduction allowed for these.

Q. 2.—A. died on the 1st February 1899 leaving the following :—

(a) A Mortgage on Freehold premises to secure £5,000, bearing interest at 4 per cent. per annum, payable half-yearly, on the 1st of January and the 1st of July.

(b) Freehold property, bringing in a rental of £1,000 per annum, payable quarterly on the usual quarter days.

The Interest and Rent were paid punctually throughout; the Mortgage was paid off on the 1st July 1899, with Interest to date, and the Freehold property was sold on the 30th September, and realised £25,000.

How would you deal with the amounts received from these properties in the Executorship Accounts?

A. 2.—The interest accrued due since the 1st February 1899 will be credited to income, and the remainder of the cash received debited to cash and credited to the respective Investment Accounts, extinguishing the amounts standing to the debit thereof in the case of (a); while in the case of (b), the credit balance shown on the account must be transferred to the credit of Capital Account. The exact treatment of the amounts is shown below :—

A. 2.—(continued).

(a) MORTGAGE ON FREEHOLD PREMISES: £5,000 AT 4% PER ANNUM.					Cr.	
Dr.		Income. £ s d	Capital. £ s d		Capital. £ s d	
1900 Feb. 1 Sept. 30	To Capital Account .. " Transfer to Income Account ..	83 6 8	5,016 13 4	1900 July 1	By Cash being repayment of Principal .. " " being Interest on £5,000 for six months, at 4% per annum = £100 .. " " apportioned as to Capital 4th, from 1st Jan. to 1st Feb. .. " " apportioned as to Income 4th, from 1st Feb. to 1st July ..	.. 16 13 4
		£83 6 8	£5,016 13 4		83 6 8	
					£83 6 8	
					£5,016 13 4	

(b) FREEHOLD PROPERTY AT ——— : RENTAL, £1,000 PER ANNUM.													
Dr.		Income.				Capital.							
1900		£		s		d		£		s		d	
Feb. 1	To Capital Account, rent to date..	..		..		..		102		15		7	
Sept. 30	Transfer to Income Account..	647		4		5		25,000		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
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" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..		..		..		250		0		0	
" "	" " Capital ..	..											

Q. 3.—B. died leaving property valued for Probate as follows:—

			£	s	d
Life Policy	..	..	1,104	0	0
Household Furniture	..	..	333	0	0
Leasehold Property	..	..	4,394	0	0
Freehold Property	..	..	3,700	0	0
Cash at Bank	..	..	150	0	0
Mexican Central Bonds	..	..	4,290	0	0
Shares in Various Companies	..	..	2,560	0	0

His Creditors' claims amounted to £500.

How would you record the above in the Corpus Account, and what other accounts would you open in the Estate Ledger?

A. 3.—The various assets named will be credited to Capital Account, and a separate Ledger Account opened for each asset, which will be debited with the amount of the valuation placed thereon. The £500 creditors' claims will be debited to Capital Account and credited to an account headed "Sundry Debts due at Death."

The following further Ledger Accounts will also be required:—Estate and Legacy Duties, Legacies, Income.

Q. 4.—Draw up a form for the Share Ledger of a Limited Company, and make six specimen entries therein.

Q. 5.—A Mining Company having its registered office in London remitted to its Manager in South Africa during the year 1899 two sums of £3,000 each. The following were the payments during the year at the Mine :—

Wages, Development	£1,000
Do. Mining and Milling	1,000
Salaries	800
Stores	2,000

N.B.—The Stores used during the year were £800 in Development and £700 in Mining and Milling.

Sundry Expenses	300
-------------------------	-----

Bullion to the value of £3,600 was produced and sent to the Standard Bank of South Africa, who advanced £3,500 on it, which they remitted direct to London.

Give the form in which the Manager's Accounts should be sent to London, and show how they should be entered in the London Books.

A. 5.—

MANAGER'S RETURNS.

Dr.	CASH ACCOUNT.				Cr.		
	£	s	d		£	s	d
To Head Office	3,000	0	0	By Wages—Development ..	1,000	0	0
" Do.	3,000	0	0	" Mining and Milling ..	1,000	0	0
				" Salaries	800	0	0
				" Stores	2,000	0	0
				" Sundry Expenses	300	0	0
				" Balance down	900	0	0
	£6,000	0	0		£6,000	0	0
To Balance down	£900	0	0				

RETURN AS TO STORES.

	£ s d
Development	800 0 0
Mining and Milling	700 0 0
	<u>1,500 0 0</u>
In hand	500 0 0
	<u>£2,000 0 0</u>

RETURN AS TO BULLION.

	£ s d
Produced	3,600 0 0
Sent to Standard Bank of South Africa	3,600 0 0
	<u>7,200 0 0</u>
In hand	nil

Stated in Journal form, these returns will be incorporated in the Head Office Books, as follows:—

JOURNAL.										Dr.			Cr.		
										£	s	d	£	s	d
Manager										6,000	0	0			
To Cash										..			6,000	0	0
Development Account—Wages										1,000	0	0			
Mining and Milling Account—Wages										1,000	0	0			
" " " Salaries										800	0	0			
" " " Sundry Expenses										300	0	0			
Stores										2,000	0	0			
To Manager										..			5,100	0	0
Development Account—Stores										800	0	0			
Mining and Milling Account—Stores										700	0	0			
To Stores										..			1,500	0	0
Standard Bank of South Africa										3,600	0	0			
To Bullion Account										..			3,600	0	0
Cash										3,500	0	0			
To Standard Bank of South Africa										..			3,500	0	0

Q. 6.—Abel Brown, having on the 1st January 1900 drawn a Bill at four months' date on Matthew Daws, which has been duly accepted, finds on the 1st of March that he is short of ready money, and therefore discounts the bill. His Bankers charge him at the rate of 4 per cent. for discounting the bill—viz., £14 0s. 6d. What entries would Brown make in his books to properly record this transaction?

A. 6.—Make an entry in the Cash Book on 1st March, "To Bill Receivable No. —, discounted," entering the actual amount received in the Bank column, and the £14 0s. 6d. in the Discount column. Both amounts would be posted to the credit of Bills Receivable Account in the Ledger. In the Bills Receivable Book a note should be made showing what has been done with the bill.

Q. 7.—Is it necessary to journalise your Cash Receipts and Payments in order to be able to balance your books by Double-entry? Give reasons for your reply.

A. 7.—It is not necessary, because, regarding the Cash Book as a Ledger Account, the mere posting of the entries therein to

the opposite side of another Ledger Account completes the double-entry in respect of all cash items. It used at one time to be considered necessary, when books were kept by double-entry, to pass every single transaction through the Journal, so that the total debit entries in the Ledger might agree with the total of the debit column in the Journal, and the total of the credit entries in the Ledger agree with the credit column in the Journal; but, on account of the extra work involved and the difficulty of arranging convenient books of first entry, this system is no longer employed for practical purposes.

Q. 8.—A private business as carried on by John Smith is converted on 1st January 1900 into a Limited Company under the title of "Smiths, Lim.," on the following terms:—The Company take over the cash and bills in hand, but collect the Book Debts and discharge the Liabilities on behalf of the old firm, and also purchase the Stock for £1,500, the Plant for £3,000, and the Goodwill for £5,000.

The purchase-money is payable as to £5,000 in 5 per cent. Debentures, as to £5,000 in fully paid shares, and the balance in cash. The Balance Sheet of the business on 31st December 1899 was as under:—

JOHN SMITH.

BALANCE SHEET, 31st December 1899.

				£	s	d
To Sundry Creditors	..	..	..	3,000	0	0
„ John Smith—Capital Account	..	..	..	11,150	0	0
				<u>£14,150</u>	<u>0</u>	<u>0</u>
By Cash in hand	..	..	..	650	0	0
„ Bills Receivable in hand	..	..	..	900	0	0
„ Sundry Debtors, as per list	..	£10,500	0	0		
Less Reserve for Bad Debts	..	1,500	0	0		
				<u>9,000</u>	<u>0</u>	<u>0</u>
„ Stock-in-Trade	..	..	..	1,600	0	0
„ Plant	..	..	..	2,000	0	0
				<u>£14,150</u>	<u>0</u>	<u>0</u>

The sums paid over by the Company in respect of Book Debts collected, over and above the amount used to pay off the Creditors, are as follow:—On 31st January, £2,000; 28th February, £2,000; and on the 30th April an agreed sum of £1,350 in settlement of the balance and as purchase-money for the Book Debts then outstanding.

Show the Cash Book and Journal entries necessary to record the above transactions, open and post the Ledger Accounts, and take out a Trial Balance on the 30th April 1900.

A. 8.—

JOURNAL, 1st January 1900.

	£	s	d	£	s	d
Cash	650	0	0			
Bills Receivable	900	0	0			
Stock	1,500	0	0			
Plant	3,000	0	0			
Goodwill	5,000	0	0			
To John Smith				11,050	0	0
John Smith	10,000	0	0			
To Debentures Account				5,000	0	0
„ Share Capital Account				5,000	0	0

Dr.	CASH BOOK.			Cr.			
	£	s	d	£	s	d	
To Balance taken over by Company	650	0	0	By J. Smith, in part payment of Purchase-Money	1,050	0	0
„ J. Smith, Book Debts collected for him	7,000	0	0	„ Creditors paid on behalf of J. Smith	3,000	0	0
				„ John Smith: Balance of Book Debts collected	4,000	0	0
				„ Purchase of Balance of Book Debts.. .. .	1,350	0	0

Dr.	BOOK DEBTS PURCHASE ACCOUNT.	Cr.
	£ s d	
To J. Smith	1,350 0 0	

A. 8.—(continued).

<i>Dr.</i>	BILLS RECEIVABLE.	<i>Cr.</i>
To John Smith: Bills in hand taken over ..	£ s d 900 0 0	

<i>Dr.</i>	STOCK ACCOUNT.	<i>Cr.</i>
To J. Smith: Purchase ..	£ s d 1,500 0 0	

<i>Dr.</i>	PLANT ACCOUNT.	<i>Cr.</i>
To J. Smith: Purchase ..	£ s d 3,000 0 0	

<i>Dr.</i>	GOODWILL ACCOUNT.	<i>Cr.</i>
To J. Smith	£ s d 5,000 0 0	

<i>Dr.</i>	JOHN SMITH.		<i>Cr.</i>
	£ s d		£ s d
To Cash	1,050 0 0	By Sundries	11,050 0 0
„ Debentures, 5 per cent. ..	5,000 0 0		
„ Fully Paid Shares ..	5,000 0 0		
	<u>£11,050 0 0</u>		<u>£11,050 0 0</u>

<i>Dr.</i>	DEBENTURES ACCOUNT.			<i>Cr.</i>
		By John Smith ..	£	s d
		..	5,000	0 0

<i>Dr.</i>	SHARE CAPITAL.	<i>Cr.</i>
	By John Smith ..	£ s d 5,000 0 0

A. 8.—(continued).

Dr.		JOHN SMITH: BOOK DEBTS ACCOUNT.		Cr.	
To Cash on Account ..	£ s d	4,000 0 0	By Cash	£ s d	7,000 0 0
" " paid to his Creditors	3,000 0 0		" Transfer to Book Debts		
" " Purchase of Balance of Book Debts from John Smith.	1,350 0 0		Purchase Account ..	1,350 0 0	
	£8,350 0 0			£8,350 0 0	

SMITHS, LIMITED: TRIAL BALANCE.

	£ s d	£ s d
Cash	1,750 0 0	
Book Debts, Purchase Account	1,350 0 0	
Bills Receivable	900 0 0	
Stock	1,500 0 0	
Plant	3,000 0 0	
Goodwill	5,000 0 0	
Debentures		5,000 0 0
Share Capital		5,000 0 0
	£11,750 0 0	£11,750 0 0

Q. 9.—In examining a number of Debtor balances when making up the accounts of a firm at the end of a year, what indications in the Ledger Accounts would you make use of to put you upon enquiry as to whether any of the Debts were Bad or Doubtful? In drawing up the accounts of a Trading Company, what is the best method to adopt in making a provision against Bad and Doubtful Debts?

A. 9.—The Ledger Accounts should be scrutinised so as to see whether the conditions as to payment have been complied with. Accounts which are paid punctually when due may usually be regarded as being good, whereas those which are in arrear will require further enquiry.

Where there are no definite dates for payment, it should be noticed whether the account is kept moving. A current account may usually be regarded as good, if the balance is not increased, and if the total amount paid off exceeds the balance standing to the debit at the commencement of the year; but the nature of the transactions between the parties must be considered in arriving at any conclusion upon this point.

The best way of dealing with bad and doubtful debts is for them to be transferred to a special "Bad and Doubtful Debts Ledger" as soon as they are at all seriously in arrear. They are then more easily watched, and are more likely to be collected, while it then becomes more practicable to consider the sufficiency of any reserve that may have been made for possible loss thereon. It is not usually expedient to write off a debt altogether until it is known to be hopelessly bad.

In many classes of businesses a certain number of bad debts are to be anticipated, even with the most careful management, and in these cases it is well to provide against loss by a percentage on the turnover, debited to Bad Debts Account and credited to Reserve for Bad and Doubtful Debts. At the end of each year, however, the schedules of debtors should be scrutinised with a view to making sure that the reserve thus provided is sufficient to cover the estimated loss.

Q. 10.—Draw up from the following Trial Balance, Trading and Profit and Loss Accounts and Balance Sheet. The Profit and Loss items cover a period of one year. The Stock at the 30th September 1896 amounted to £44,844:—

JAMES TAYLOR & CO.

TRIAL BALANCE, 30th September 1896.

			£	s	d	£	s	d
J. Taylor, Capital	..	..				96,052	0	0
T. Jones, Loan Account	..	..				3,593	0	0
Stock ..	..	..	32,346	0	0			
Salaries	..	..	1,394	0	0			
Wages	..	..	11,059	0	0			
Purchases	..	..	20,687	0	0			
Trade Expenses	..	..	1,790	0	0			
Advertising	..	..	1,207	0	0			
Interest	..	..	329	0	0			
Bad Debts	..	..	238	0	0			
Rent ..	..	..	756	0	0			
Rates and Taxes	..	..	115	0	0			
Coal ..	..	..	85	0	0			
Insurance	..	..	262	0	0			
Sales ..	..	..				33,499	0	0
Returns	..	..	1,222	0	0			
Bills Receivable	..	..	171	0	0			
Bills Payable	..	..				2,804	0	0
Commission	..	..				132	0	0
Fixtures and Fittings	..	..	1,059	0	0			
Rent Received	..	..				30	0	0
Repairs	..	..	3	0	0			
Law Costs	..	..	27	0	0			
Petty Cash in hand	..	..	3	0	0			
Bank Balance	..	..				85	0	0
Bad Debt Reserve	..	..				299	0	0
Sundry Debtors	..	..	10,405	0	0			
Sundry Creditors..	..	..				6,664	0	0
			£83,158	0	0	£83,158	0	0

A. 10.—(continued).

BALANCE SHEET, 30th September 1900.

<i>Liabilities</i>		<i>Assets</i>	
	£ s d		£ s d
Capital Account	£36,052 0 0	Stock on hand, 30th September 1896	 44,844 0 0
Add Net Profit for Year	.. 6,985 0 0	Fixtures and Fittings	 1,059 0 0
		Bills Receivable	 171 0 0
Bills Payable	 43,037 0 0	Sundry Debtors.. ..	£10,405 0 0
Sundry Creditors	 2,804 0 0	Less Reserve for Bad Debts	.. 299 0 0
T. Jones' Loan Account	 6,664 0 0		
Bank Overdraft.. ..	 3,593 0 0	Petty Cash in hand	 10,106 0 0
			 3 0 0
	£56,183 0 0		£56,183 0 0

RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES, AND RECEIVERS.

Q. 1.—If a Trustee in Bankruptcy have an unclaimed dividend which has remained unclaimed for more than six months, what should he do?

A. 1.—The trustee should pay the money into the Bankruptcy Estates Account at the Bank of England. The Board of Trade will furnish him with a certificate of receipt, which is an effectual discharge to him in respect thereof.

Q. 2.—If a Receiver find that a Contract has been made for the purchase of 200 sheep (still undelivered) for £200, of which £50 has been paid on account, what is his duty, assuming he has sufficient money in hand to enable him to complete the Contract?

A. 2.—Under Section 70, subsection (2) of the Bankruptcy Act, 1883, the Official Receiver for the purposes of his duties as interim receiver has the powers of a receiver and manager appointed by the High Court, but shall, as far as practicable, consult the wishes of the creditors with respect to the management of the debtor's property. In the case put the receiver should consult the creditors, and if it be to the advantage of the estate he should complete the contract; if not, presuming there has been an adjudication, he has the power of a trustee in bankruptcy to repudiate the contract.

Q. 3.—What Order may be made by the Court, if it appear to the satisfaction of the Court that any solicitation has been used by, or on behalf of, a Trustee or Receiver in obtaining proxies, or in procuring the Trusteeship or Receivership, except by the direction of a Meeting of Creditors?

A. 3.—When it appears to the satisfaction of the Court that any solicitation has been used by, or on behalf of, a trustee or receiver in obtaining proxies, or in procuring the trusteeship or receivership except by the direction of a meeting of creditors, the Court shall have the power, if it think fit, to order that no remuneration shall be allowed to the person by whom or on whose behalf such solicitation may have been exercised, notwithstanding any resolution of the Committee of Inspection or of the creditors to the contrary. (Bankruptcy Act, 1883, Schedule I., Section 20.)

Q. 4.—In order to close a Voluntary Liquidation it is necessary to call a meeting. To whom and how must notice of the meeting be given ?

A. 4.—As soon as the affairs of the company are fully wound up, the liquidators shall make up an account showing the manner in which such winding-up has been conducted, and the property of the company disposed of; and thereupon they shall call a general meeting of the company for the purpose of having the account laid before them, and hearing any explanations that may be given by the liquidators. The meeting shall be called by advertisement, specifying the time, place, and object of such meeting; and such advertisement shall be published one month at least previously to the meeting as regards companies registered in England in the *London Gazette*, and as regards companies registered in Scotland in the *Edinburgh Gazette*, and as regards companies registered in Ireland in the *Dublin Gazette*. (Companies Act, 1862, Section 142.)

Q. 5.—State three classes of Assets which cannot be realised by a Receiver without the aid of the Liquidator.

A. 5.—Instances of assets which cannot be realised by a receiver for debenture-holders without the aid of the liquidator are :—

(1) *Uncalled Capital*.—It is the company and the company alone which is entitled, acting through its liquidator, to enforce the statutory liability of shareholders to contribute to the assets. If the receiver for debenture-holders wishes to realise this asset he must, therefore, apply to the Court to direct the liquidator to compel contributions, and hand over the proceeds to him—the receiver. See *Fowler v. Broad's Patent Night Lights Company* (1893), 1 Ch. 724.

(2) The same principle applies to book debts due to the company. The liquidator is the person to realise them.

(3) *Misfeasance Damages*.—These are an asset—sometimes a valuable one; but it is the company which is wronged, and it is the company which must sue by its liquidator.

Q. 6.—A., as Trustee in the voluntary liquidation of B. & Co., Lim., realised in this country £20,000, out of which he paid creditors £2,000. He received also £13,220 from his agent abroad, who charged and already had deducted £1,500 for remuneration, and £280 expenses. A. estimated his expenses at £200, and, after reserving that sum, had £31,020 available, first to pay his remuneration, and then to make a return of capital to the shareholders—3,000 shares of £100 each=£300,000. Draw such a claim for remuneration as you consider fair, based upon a percentage of receipts and a less percentage of payments to creditors and shareholders, and having some regard to the time occupied—viz., 60 days of his own and 200 days by clerks.

A. 6.—The question expressly requires the claim for remuneration to be a “fair” one, having regard to the time occupied; but no idea of the importance of the work performed is indicated other than that which can be gained from the mere number of hours involved and the magnitude of the sums dealt with. It is thought, however, that under normal circumstances a charge of 7 guineas per day for principals' time, and 1½ guineas per day for

clerks' time, is about as much as could be regarded as reasonable, and upon this basis the time account would work out at £755. In the form of a percentage this represents less than $1\frac{1}{2}\%$ on the assets received, and 1% on the assets distributed, so that this rate might readily be charged, and quite possibly a somewhat higher percentage might in practice be obtained.

There is no such thing as a "trustee" in a voluntary liquidation, but it is presumed that a liquidator is what is intended. In such a case no "claim" for remuneration is made in practice, the liquidator assessing his remuneration at whatever he thinks fit, and including it at that amount in his accounts, which are placed before the shareholders for approval at the final meeting of the company. The item so included in the liquidator's accounts would, upon the above basis, appear as follows :—

By Liquidator's Remuneration, viz. :—	£	s	d	£	s	d
$1\frac{1}{2}\%$ on Assets realised, £35,000 ..	..	525	0	0		
1% ,, distributed, £32,000 ..	..	320	0	0		
		—————		845	0	0

Q. 7.—What assets can a Receiver for Debenture-holders realise, which a Receiver under an ordinary Mortgage cannot realise, unless the Mortgage has been registered as a Bill of Sale?

A. 7.—A receiver for debenture-holders or under a mortgage registered as a bill of sale may realise the principal security; whereas the receiver under an ordinary mortgage can only take the profits, and, after satisfying the outgoings, pay over to the mortgagee the interest due, any balance going to the mortgagor.

Q. 8.—State the manner of appointing a Receiver of the estate of a Lunatic, such estate being solvent.

A. 8.—In order to obtain the appointment of a receiver to the estate of a lunatic, a summons is taken out in the Chambers of

the Masters in Lunacy asking for such appointment, and suggesting any special powers which it is thought desirable that the receiver should possess. The summons should be supported by affidavits—(i.) of medical men bringing the case within the appropriate clause of Section 116 of the Lunacy Act, 1890; (ii.) of property; (iii.) verifying the fitness of the proposed receiver; and (iv.) certifying his consent to act. The summons will be heard, and the necessary order made by the Master. Vesting orders, under a rule in Lunacy, which came into operation in November 1900, can now be obtained by summons, instead of, as formerly, by petition.

The estate of a lunatic so found by inquisition is dealt with by the committee of his estate under the direction of the Judge in Lunacy. But (Rules in Lunacy, 1892, r. 83) a receiver may be appointed in any case in which it is deemed desirable—*e.g.*, where a suitable committee cannot be found, or where the management of the estate is difficult.

The subject of Receivers in Lunacy is fully examined in “Wood Renton on Lunacy,” pp. 360, 392, *et seq.*

Q. 9.—In public bonded stores are 1,000 Butts Whisky, for which warrants have not been issued. Of these, 500 have been sold but not delivered. In what respect is the duty of a Receiver for Debenture-holders, as to these 500 Butts, simpler than that of the Liquidator of the Company to which the 1,000 Butts originally belonged?

A. 9.—In this case the 500 butts having been sold by the company, but the warrants not handed over, it is the duty of the liquidator to complete the contract with the buyer, and for that purpose to obtain from the authorities the warrants or other indicia of title and hand them over to the buyer.

The receiver's duty is much simpler: to give notice to the buyer of the 500 butts; to pay over the purchase-money to him as representing the debenture-holders, and not to the liquidator.

Q. 10.—“The production of a copy of the *London Gazette* containing any notice of a Receiving Order or of an order adjudging a debtor bankrupt shall be conclusive evidence in all legal proceedings of” Complete the sentence.

A. 10.—The production of a copy of the *London Gazette* containing any notice of a receiving order, or of an order adjudging a debtor bankrupt, shall be conclusive evidence in all legal proceedings of *the order having been duly made and of its date.* (46 & 47 Vict., c. 52, Sec. 132, subsec. (2).)

BOOKKEEPING AND ACCOUNTS

(INCLUDING PARTNERSHIP ACCOUNTS.)

Q. 1.—Show, from the following combined Trading and Profit and Loss Accounts of a private firm for the year ended 31st December 1899 and from the profits of previous years, the amount upon which Income Tax (due January 1901) should be paid :—

Dr.

To Stock	..	..	..	..	£1,200
„ Purchases	..	..	..	..	8,500
„ Wages	..	..	..	..	5,400
„ Salaries (Partners)	..	..	..	..	800
„ Carriage	..	..	..	..	550
„ Gas and Water and Municipal Rates	..	..	..	..	260
„ Income Tax	..	..	..	..	90
„ Bad Debts written off	..	..	..	..	140
„ Repairs to Buildings, cost	..	..	..	..	300
„ Repairs and Renewals of Plant, cost	..	..	..	..	200
„ Interest on Capital	..	..	..	..	250
„ Bankers' Interest	..	..	..	..	80
„ Rent of Works, charged at 6 per cent. on cost	..	..	..	..	300
„ Profit	..	..	..	..	1,110
					<u>£19,180</u>

Cr

By Sales	..	..	..	..	£17,500
„ Stock	..	..	..	..	1,600
„ Rents from Cottage Property, included in Works Assessment under Schedule A, at £300 gross	..	..	..	..	80
					<u>£19,180</u>

The amounts of the annual profits upon which the assessment of the preceding three years was made were : for 1896, £2,450 ; for 1897, £2,950 ; for 1898, £2,700.

A. 1.—

	£	s	d	£	s	d
Net Profit for 1899, as per Profit and Loss Account				1,110	0	0
<i>Add :</i>						
Partners' Salaries	800	0	0			
Interest on Capital	250	0	0			
Income Tax	90	0	0			
Bankers' Interest	80	0	0			
Difference between Rent charged and over-assessment	50	0	0			
				1,270	0	0
Amount of Profit for Income Tax Purposes				2,380	0	0
Less Cottage Rents				80	0	0
				2,300	0	0
Ditto for the year 1898-9				2,700	0	0
Ditto do. 1897-8				2,950	0	0
Total for the three years, 1897-1899				7,950	0	0
Amount on which Income Tax payable				£2,650	0	0

NOTE.—“ Banker's Interest,” being an even sum, looks like interest on a loan —i.e., “ annual ” interest ; if it be interest on a current account overdrawn, it need not be added to net profits.

(For further information upon this subject *vide* Dicksee's “ Auditing,” Chapter XII.)

Q. 2.—Prepare the Distribution Account in a Voluntary Liquidation from the following particulars :—

The Blank Engineering Company, Lim., has gone into Voluntary Liquidation. The Ordinary Share Capital is £30,000. The 5 per

cent. Preference Share Capital, which is cumulative, and preferential as to capital, is £20,000. The Debenture Debt, secured by a charge on the undertaking and assets of the Company, is £10,000 at 4 per cent. The Liquidator is also the Receiver for the Debenture-holders. No interest was paid for the six months prior to the date of the Liquidation on the Preference Capital nor on the Debenture Debt. The whole of the assets, including the Goodwill of the business, have been sold for £32,500. The Liabilities, in addition to the Debenture Debt, are: Trade Creditors, £6,000; Cash Creditors, £1,500; Wages to Workmen and Rates, £725; Acceptances of the Company, £2,000. The Liquidator's remuneration is fixed at 5 per cent. upon the total realisation of the assets. The law costs are £450.

A. 2.—

Dr.

LIQUIDATOR'S GENERAL ACCOUNT.

Cr.

<i>Receipts.</i>							
To Assets realised	£	s	d	£	s	d	£
.. ..	..	..	..	32,500	0	0	
				<i>Payments.</i>			
				By Liquidator's Remuneration, 5 per cent. on £32,500	1,625	0	0
				" Law Costs	450	0	0
				" Debenture Holders	10,000	0	0
				" Six Months' Interest at 4 per cent. per annum	200	0	0
				" Creditors—			
				Wages to Workmen, and Rates	725	0	0
				Bills Payable	2,000	0	0
				Trade Creditors	6,000	0	0
				Cash	1,500	0	0
				" Return to Preference Shareholders, 10s. in the £ on £20,000	10,225	0	0
				.. ..	10,000	0	0
				£32,500	0	0	£32,500

Note.—In practice Interest on Debentures would have to be paid up to the date of actual repayment.

Q. 3.—Watson and Day went into partnership as equal partners, each bringing in £2,000 of Capital. Day, to enable him to do this, borrowed from personal friends £1,000 on his own promissory notes. The term of partnership was for five years, but during the third year Watson died. In accordance with the deed of partnership, on the death of a partner stock was to be taken, a Balance Sheet prepared, and the deceased partner's Capital paid out, without any allowance for Goodwill: or the business wound up. Prepare from the following Trial Balance at date of death the Balance Sheet, the Trading Account and Profit and Loss Account, and show the amount Day would have to provide to pay out his late partner's Capital.

			£	s	d	£	s	d
Watson's Capital Account	..	..				2,600	0	0
Day's Capital Account	..	..				2,600	0	0
Watson's Withdrawal Account	..	..	350	0	0			
Day's	..	..	300	0	0			
Furniture	..	..	280	0	0			
Book Debts	..	..	3,950	0	0			
Creditors	..	..				3,000	0	0
Sales	..	..				9,200	0	0
Purchases	..	..	4,620	0	0			
Salaries	..	..	400	0	0			
Wages	..	..	2,600	0	0			
Stock	..	..	2,400	0	0			
General Expenses	..	..	950	0	0			
Bankers	..	..	1,150	0	0			
Cash	..	..	10	0	0			
Rents, Rates, &c.	..	..	390	0	0			
			£17,400	0	0	£17,400	0	0

The value of the Stock at the date of death was £2,800.

A. 3. —

TRADING ACCOUNT.										Cr.			
Dr.													
					£	s	d	£	s	d	£	s	d
To Stock ..	..	..	..	..	2,400	0	0	By Sales ..	..	..	9,200	0	0
" Purchases ..	..	..	..	..	4,600	0	0	" Stock ..	..	..	2,800	0	0
" Wages ..	..	..	..	..	500	0	0						
" Gross Profit carried down ..	..	..	..	..	2,380	0	0						
					£12,000	0	0				£12,000	0	0

Dr.		PROFIT AND LOSS ACCOUNT.				Cr.	
		£	s	d	£	s	d
To General Expenses ..	..	950	0	0	By Gross Profit brought down ..	..	..
" Salaries ..	..	400	0	0		£	2,380 0 0
" Rents, Rates, &c. ..	..	390	0	0			
" Net Profit carried down ..	..	..	..	..		£	2,380 0 0

Q. 4.—Enter the following day's transactions of Thomas Walker in the proper books, without posting to the Ledgers:—14th December 1900. Received by post cheque from J. Brown, £38 for goods, less discount, £2; cheque from Thompson, £25, on account of his dishonoured bill and expenses; acceptance from Wilson, dated 10th December, accepted, payable three months after date at City Bank, £30; and an invoice for £70—viz., for goods, £62; for freight and insurance, £8. Drew a cheque on the Bank for wages, &c., £130. Paid wages £118, and petty cash £2. Sold goods to Walton, £200, subject to trade discount of 25 per cent. Sold goods to Jones, £150 net. Paid to the Bank cheques received by post and cash balance in hand, arising from the day's transactions.

A. 4.—

Dr.

CASH BOOK.

Cr.

	Discount	Cash	Bank		Discount	Cash	Bank
1900 Dec. 14	£ s d 2 0 0	£ s d 38 0 0	£ s d	1900 Dec. 14	£ s d	£ s d 118 0 0	£ s d 130 0 0
"	.. ..	25 0 0	.. ..	"	.. ..	2 0 0	.. ..
"	.. ..	130 0 0	.. ..	"	.. ..	73 0 0	.. ..
"	.. ..	.. ..	73 0 0	"	.. ..	.. ..	.. ..
To J. Brown				By Cash			
" Thompson, on a/c of				" Wages			
" dishonoured Bill, &c. ..				" Petty Cash			
" Bank				" Bank			
" Cash							

BOUGHT JOURNAL.

	Name	£	s	d	Total	Goods	Freight
1900 Dec. 14		£	s	d	£	s	d
		70	0	0	70	0	0
		70	0	0	62	0	0
					62	0	0
					8	0	0

A. 4.—(continued).

SALES JOURNAL.

Walton	..	..	..	..	..	..	..	£	s	d
Jones ..	..	..	..	..	..	..	..	130	0	0
								130	0	0

BILLS RECEIVABLE.

No. of Bill	When Received	From whom Received	Drawers	Acceptors	Where Payable	Date of Bill	Terms	When due	Amount of Bill	Remarks
	14 Dec. 1900	Wilson	Self	Wilson	City Bank	1900 10 Dec.	3 months	1901 13 March	£ s d 30 0 0	

Q. 5.—Record in the Books of Warren, an English Merchant, the following transactions, and show what profit, if any, resulted to him therefrom:—

On 15th February 1900 Warren consigned goods at cost price £1,100 to Ashton, of Cape Town, insuring the amount at Lloyd's against loss or damage in transit. He paid for carriage, freight, and insurance, £70.

On arrival at Cape Town a portion of the goods was found damaged and valueless. Ashton forwarded a properly certified valuation and admission of claim by the insurers' agent for £180, together with an account sale, dated 15th May, for £550. A final account sale, dated 19th July, for £820 was received from Ashton on 21st August, and he remitted therewith a draft for £1,060 on the Mercantile Bank, London, sixty days after sight, in full settlement, after deducting duty paid by him and his commission.

A. 5.—(continued).

<i>Dr.</i>		ASHTON.		<i>Cr.</i>	
15 May.	To Account Sales rendered	..	..	By Bills Receivable ..	£ s d
19 July.	do.	..	..	Commission ..	1,000 0 0
					310 0 0
					£1,370 0 0

<i>Dr.</i>	BILLS RECEIVABLE.		<i>Cr.</i>
To Ashton—Draft at 60 days sight on the Mercantile Bank, London	£	s d	
	1,060	0 0	

<i>Dr.</i>	CASH BOOK.		<i>Cr.</i>
		By Ashton Consignment—Carriage, Freight and Insurance ..	£ s d
			70 0 0

Q. 6.—Freeman & Booth dissolve partnership, their Assets realise £5,800, and this balance stands to their credit at the Bank to deal with.

Freeman's Capital is £1,500.

Booth's Capital is £1,000.

Freeman has lent to the firm £1,200.

The Creditors of the firm amount to £3,800.

Freeman is entitled to three-fifths of profits, Booth to two-fifths.

Show how the Assets should be divided in order of precedence.

A. 6.—

The Credit Balances are—					£	s	d	£	s	d
Freeman, Capital	..	..	..	..	1,500	0	0			
„ Loan	..	..	..	..	1,200	0	0			
Booth, Capital	..	..	..	..	1,000	0	0			
Creditors	..	..	..	..	3,800	0	0			
								7,500	0	0
Therefore the Debit Balances (Assets) must also										
have stood in the books at	..	..	..	..	7,500	0	0			
They realised	..	..	..	..	5,800	0	0			
Showing a loss of	..	..	..	..				1,700	0	0
This loss must be borne thus—										
Freeman, $\frac{3}{5}$ ths	..	..	..	..	1,020	0	0			
Booth, $\frac{2}{5}$ ths	..	..	..	..	680	0	0			
								1,700	0	0
The Capital Accounts as thus adjusted now stand—										
Freeman	..	..	..	..	480	0	0			
Booth	..	..	..	..	320	0	0			
								800	0	0
The Cash Balance will be applied in the following										
order—										
Creditors	..	..	..	..	3,800	0	0			
Freeman, Loan	..	..	..	..	1,200	0	0			
„ Capital	..	..	..	..	480	0	0			
Booth	..	..	..	..	320	0	0			
								5,800	0	0

Q. 7.—Scott & Wilson have carried on business for several years as partners, but without any deed of partnership. Their capital and drawings have been equal. Scott now wishes to retire from active work, but is willing that the business should be carried on by Wilson under the old style of Scott & Wilson; and is also willing to leave in the business one-half of his capital, on condition that he shall receive one-fourth of the future profits. Can he do this without being liable for present and future liabilities? Also state briefly how you would propose to deal with the situation.

A. 7.—The mere fact that a man takes a share of the profits does not make him a partner in the business, although it is *prima facie* evidence of a partnership. The facts given in the case put would bring it within the decided cases of *Pooley v. Driver* (5 Ch.D. 458; 47 L.J. Ch. 466), and *Ex parte Dellhassé* (7 Ch.D. 511; 47 L.J. Ch. 65), according to which Scott would be held to be a partner. If, however, his name were removed from the style of the firm, so that he no longer held himself out as a partner, and the money were advanced under a contract in writing as a loan, within the provisions of subsection (3) (d) of Section 2 of the Partnership Act, 1890, Scott might possibly be held not to be a partner.

If notice of a dissolution is gazetted, Scott will probably not be liable for any future liabilities incurred by Wilson, trading under the style of Scott & Wilson. He will, however, continue to be liable for all debts outstanding at the date of the dissolution until these have been discharged, subject, of course, to the statutory limitations.

As Scott will continue to participate in the profits, he would not be entitled—in the event of Wilson's subsequent bankruptcy—to prove against Wilson's estate in competition with other creditors; but, after Wilson's ordinary creditors had been paid

in full, Scott would be entitled to receive, out of the estate, payment of the amount of capital left by him in the business, together with any proportion of profits that might still be due to him.

From Scott's point of view, a more satisfactory arrangement would probably be (assuming the business were large enough) for it to be taken over by a limited company, in which he might take shares or debentures (or both) as representing his capital.

Q. 8.—What is a Cost Sheet? How is it made up, and what purpose does it serve? Prepare a sample Cost Sheet for a steel-rail rolling mill.

A. 8.—A Cost Sheet is an account showing the cost of preparing a particular commodity during a specified (short) period, or of executing a particular contract. It is made up by analysing all expenditure, and charging against that particular Cost Sheet the whole of the expenditure applicable thereto. Its purpose is to ascertain the actual cost of a commodity or of a contract, with a view to assisting in the preparation of accurate estimates for the future, and, in the case of some industries, of regulating the output, and also the selling price.

The following is a specimen Cost Sheet suitable for a steel rail rolling mill :—

A. 8.—(continued).

COST SHEET FOR THE				ENDING		189 .	
Yield		tons.					
	Weight		Price	Amount		Weight used per ton of Steel produced	Cost per ton of Steel produced
	Details	Total		Details	Total		
	T. c. q.	T. c. q.		£ s d	£ s d	T. c. q. lbs	£ s d
Materials—							
Iron							
(different kinds stated)							
Coal							
(different kinds stated)							
Sand							
Loam							
Gannister							
Limestone							
Wages							
Sundries—							
Stores							
Repairs							
Moulds							
Miscellaneous charges							
Establishment charges							

Q. 9.—Give a definition of the term “Depreciation,” and state briefly your views on the general considerations which should determine its amount.

A. 9.—Depreciation is the shrinkage in the value of an asset arising in the ordinary course of events from use, from the effluxion of time, or from the progress of scientific invention. In so far, therefore, as the possession of these assets has contributed towards the earning of revenue, depreciation is a charge against such revenue.

It is not always necessary that each year the assets should be written down to their then actual value and the shrinkage styled depreciation, but by the time the assets have become valueless

for the purpose for which they are intended, the difference between the original cost and their residual value (if any) must be written off against revenue. The precise division of the amount between the various years covered should, as far as possible, vary proportionately to the revenue which they had been able to earn during each year; but for practical purposes it is usual to write off depreciation by equal instalments only, subject to provision for interest in the case of long leaseholds, and, in the case of plant and machinery, to the fact that in later years these would probably require a greater expenditure on account of repairs than in earlier years. It is usual, therefore, to provide for their depreciation by a fixed percentage on the *reducing* annual balance.

(For further information on this subject *vide* Dicksee's "Auditing.")

Q. 10.—Set out forms for Bills Payable Book and Bills Receivable Book respectively, and make two specimen entries in each.

A. 10.—The following are good forms of Bills Payable Book and Bills Receivable Book respectively :—

A. 10.—(continued).

15															JANUARY 1898.															15																																																																																																																																																																																																																																																											
BILLS PAYABLE.																																																																																																																																																																																																																																																																																									
No. of Bill															When Accepted															Drawer															To whom Payable															On whose Account															Date of Bill															Terms															When due												Amount of Bill															Remarks																																																																																																																																																					

A. 10.—(continued).

BILLS RECEIVABLE.										JANUARY 1893												26
No. of Bill	When received	From whom received	Drawers	Acceptors	Where payable	Date of Bill	Term	When due												Amount of Bill	Remarks	
								Jan.	Feb.	Mar.	April.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			
78	1893 Jan. 6	Hugh Forbes ..	Selves..	H. Forbes	Lloyd's	1893 Jan. 5	2 mos.	8 ..												£ s d 96 0 0		
79	" 11	Joseph Ball ..	"	J. Ball ..	National	" 10	3 mos.	13 ..												490 0 0	To Western Steel Co. 11/1/93	
80	" 20	William Wright ..	"	W. Wright	City ..	" 19	3 mos.	22 ..												850 0 0		
																				£1,436 0 0		

AUDITING.

Q. 1.—Why would you consider endorsed cheques to be insufficient Vouchers for the payment of Trade Accounts? Under what circumstances would you accept endorsed cheques as Vouchers for any Payments?

A. 1.—In most businesses it would be usual for a receipt to be given by the payee whenever he received payment of a Trade Account, and in such cases where no voucher is produced for the payment there is clearly a *prima facie* case for enquiry as to “why.” An endorsed cheque is evidence that the amount in question has been received, but no evidence as to what liability it has been received in discharge of, and therefore as a voucher it is incomplete, and should be supplemented whenever possible. There is also the possibility that the endorsement on a cheque may be forged, and the risk of irregularities of this description is minimised if a voucher can be produced headed with the payee’s stationery. For this reason vouchers on the stationery of the payee are preferable to those on forms issued by the payor.

Endorsed cheques should only be accepted as vouchers where nothing further is obtainable, in accordance with the usual customs obtaining with regard to that particular class of transaction.

Q. 2.—The following Balance Sheet and Profit and Loss Account are placed before you for audit. Assuming your general examination to be satisfactory, would you certify the accounts in the form presented? If not, prepare a Balance Sheet and Profit and Loss Account in accordance with your own views.

BALANCE SHEET, 30th September 1900.

<i>Dr.</i>					£	s	d
To Capital—10,000 Shares of £10 each	..	..	..	..	100,000	0	0
„ Reserve Fund	..	..	..	..	3,000	0	0
„ Creditors (including Directors' remuneration)	..	..	..	..	2,248	0	0
„ Profit and Loss Account, Balance at credit	..	..	..	..	8,252	0	0
					<u>£113,500</u>	<u>0</u>	<u>0</u>
<i>Cr.</i>					£	s	d
By Land, at Cost	..	..	..	..	43,000	0	0
„ Buildings (less depreciation)	..	..	..	..	20,000	0	0
„ Machinery and Plant (less depreciation)	..	..	..	..	15,000	0	0
„ Debtors (less reserve)	..	..	..	..	7,500	0	0
„ Stock, at Cost	..	..	..	..	8,000	0	0
„ Shares Unissued (700 of £10 each)	..	..	..	..	7,000	0	0
„ Calls in Arrear	..	..	..	..	925	0	0
„ Cash Balances	..	..	..	..	12,075	0	0
					<u>£113,500</u>	<u>0</u>	<u>0</u>

PROFIT AND LOSS ACCOUNT, Year ending 30th September 1900.

<i>Dr.</i>					£	s	d
To Directors' Remuneration, 3 per cent. on the profits, as per							
Articles	..	..	..	..	348	0	0
„ Reserve Fund, proceeds of Sale Surplus Land per contra	..	..	..	..	3,000	0	0
„ Balance	..	..	..	..	8,252	0	0
					<u>£11,600</u>	<u>0</u>	<u>0</u>
<i>Cr.</i>					£	s	d
By Profit on Trading, after deducting all expenses and allowing							
for depreciation, &c.	..	..	..	..	8,600	0	0
„ Proceeds of Sale of Surplus Land	..	..	..	..	3,000	0	0
					<u>£11,600</u>	<u>0</u>	<u>0</u>

A. 2.—

BALANCE SHEET, 30th September 1900.

<i>Liabilities.</i>		<i>Assets.</i>	
£	s d	£	s d
Capital Authorised:—		Land at Cost ..	43,000 0 0
10,000 Shares at £10 each ..	100,000 0 0	Less Proceeds of Sale of Surplus Land ..	3,000 0 0
Capital Subscribed:—		Buildings (<i>Less</i> Depreciation)	.. ..
9,300 Shares at £10 each ..	93,000 0 0	Machinery and Plant ..	.. ..
Less Calls in arrear ..	945 0 0	Debtors (<i>Less</i> Reserve)	.. ..
Creditors (including Directors' remuneration)	.. ..	Stock at Cost ..	.. ..
Profit and Loss Account (Balance available for Dividend)	.. ..	Cash Balances ..	.. ..
			12,075 0 0
			£102,575 0 0

Dr. : PROFIT AND LOSS ACCOUNT for the Year ended 30th September 1900.

<i>Dr.</i>		<i>Cr.</i>	
£	s d	£	s d
To Directors' Remuneration, 3 per cent. on the profits, as per Articles ..	258 0 0	By Profit on Trading ..	.. ..
, Balance, being Net Profit available for Dividend ..	8,342 0 0		8,600 0 0
	£8,600 0 0		£8,600 0 0

Q. 3.—Is it part of an Auditor's duty to find out the cause of a difference in figures? Would there be any advantage in your proceeding with an audit pending the discovery of a difference? Would an Auditor under any circumstances be justified in signing a Balance Sheet which disclosed a difference?

A. 3.—It is no part of an auditor's duty to find out the cause of a difference in books. His duty commences when a proper Balance Sheet and Trading and Profit and Loss Account have been prepared, and until this has been done he is within his right in refusing to commence his work. As, however, it is the duty of the auditor to detect any mistakes there may be in the books, it frequently saves time, and is just as well, for him to start his investigation at once, relying upon it that the cause of the difference will be disclosed in the course of audit. In the case of a large undertaking, however, it will be impossible to check all the Trade Ledgers in detail, so that the audit would not necessarily disclose where the difference occurred.

An auditor will be justified in certifying a Balance Sheet as correct, notwithstanding the fact that the books do not balance, under the following circumstances :—

- (1) The concern is too large to render an audit in complete detail possible.
- (2) The difference has been localised into a Trade Ledger.
- (3) The difference is trifling in amount.
- (4) Adequate steps have been taken to see that the difference is really the whole extent of the inaccuracies, and not the difference between larger sums of nearly the same amounts.
- (5) If the balances of that particular Ledger have been exhaustively checked, so that it may safely be assumed that the total thereof was correct.

Q. 4.—In what respects is a Bank Pass Book of value for audit purposes? Would you accept it as evidence upon any point whatever, or as a proof that the balance shown thereon at any given date was correct if it agreed with the Cash Book?

A. 4.—Before a Bank Pass Book is of any value for audit purposes it must be confirmed by the banker's certificate as to the amount of the balance. It may then probably be regarded as correct, but it would, perhaps, be safer to make sure that the Pass Book itself has actually been issued by the bank, as it might be a forgery notwithstanding the fact that the balance agreed with that of the real Pass Book. It is of value for audit purposes (subject to such certification) for the purpose of verifying the bank balance shown by the books, but before it can be accepted for this purpose, the cash in hand (if any) must have been counted *upon the same date*, and outstanding cheques, and cheques and bills paid in but not credited, will also require to be carefully traced through.

Q. 5.—You are instructed to audit the first year's accounts of a Limited Company. Describe your course of procedure, and mention the various books and documents you would necessarily have to examine.

A. 5.—In addition to the ordinary audit of the trade books and transactions, it will be necessary to verify the capital receipts by a comparison with the application letters, the duplicates of allotment letters, letters of regret, and call notes, and the Applications and Allotments Book and Share Ledger. The amount of capital issued should be compared with the authorised capital, and the minutes relating to allotments, calls, and forfeitures carefully scrutinised. The issue of shares as fully paid must be verified by reference to the contracts relating to such issue, and care should be taken that such contracts have been adopted by the company and filed with the Registrar of Joint Stock Companies.

An enquiry must also be made as to whether the assets representing the consideration for the issue of fully-paid shares have been actually acquired. Preliminary expenses should be carefully vouched, care being taken to see that nothing is paid by the company which ought, under the various contracts and the terms of the prospectus, to have been borne by the vendors.

Q. 6.—It is not unusual for a Company to have interim Audits at uncertain dates. State what, in your opinion, are the advantages or disadvantages of such a system.

A. 6.—The advantages of interim audits, or of a continuous audit, are:—

- (1) Errors are detected sooner, and can consequently be rectified sooner.
- (2) The frequent visits of the auditor tend to keep the book-keeping more closely up-to-date.
- (3) A more detailed audit is practicable without unduly delaying the issue of the final accounts.

On the other hand, there is a danger of items being altered after they have been checked by the auditor, which may cause a difficulty in the balancing of the books; while, by the same means, a clever and unscrupulous bookkeeper can occasionally for a time delay the discovery of fraud. The probability is, however, that fraud will be discovered more quickly with a continuous audit, than with one which only takes place at the end of the year.

Q. 7.—What methods would you adopt to verify the following investments of a Company and the Income derived therefrom?

- A. Debenture Stocks.
- B. Debenture Bonds.
- C. Inscribed Stocks.
- D. Preference Shares.

A. 7.—The existence of the investments would be ascertained by the production:—

- (a) of the stock certificates ;
- (b) of the bonds, with coupons attached ;
- (c) of a letter from the Registrar certifying the names in which the stocks stood inscribed at the date of the Balance Sheet ;
- (d) of the share certificates.

The cost price would in each case be ascertained by the production of brokers' notes, or, if acquired direct from the company, of allotment letters.

The income derived from the investments would, in the cases of (a), (b), and (c), be at a fixed rate per cent., which would be readily ascertainable. In the case of (d), the maximum rate would also be fixed, and in the event of any smaller rate being accounted for, the notice accompanying the dividend warrant should be produced.

Q. 8.—In what way would you audit a Petty Cash Account ?

A. 8.—It is not usually practicable for an auditor to verify petty cash further than by ascertaining that all cheques drawn for that purpose have been duly accounted for, that the additions of the Petty Cash Book are correct, and that the balance shown to be in hand is actually in existence. Enquiry should, however, be made as to the extent to which the petty cash is supervised by some responsible official, and his certificate as to its correctness should be obtained.

Q. 9.—As regards the value of Book Debts, what are your views as to how an Auditor can satisfy himself respecting the same, either wholly or in part ?

A. 9.—The auditor's enquiry should be with a view to verifying the following :—

- (1) That Ledger Accounts appear in the books, showing debit balances agreeing in total with the amount stated in the Balance Sheet.

- (2) That these Ledger Accounts are *bonâ fide*.
- (3) That sufficient reserve has been made for cash and trade discounts, and for bad and doubtful debts.

With regard to (1), no difficulty arises unless the number of accounts is very considerable. In such cases, however, each Ledger should be capable of being balanced separately, and one or two such Ledgers should be taken at random and exhaustively tested. This procedure will also detect any serious discrepancy under heading (2). A good system of internal check, under which the Ledger clerks are frequently shifted about, will also be of great value in this connection. With regard to (3), the auditor is, of course, to some extent in the hands of the management; but in so far as the balances are checked in detail, they should be also scrutinised for overdue accounts which suggest, *primâ facie*, the need for an adequate reserve for bad and doubtful debts. If such a reserve has already been made in connection with those Ledgers which have been scrutinised, it may probably be assumed that sufficient reserve has been made to cover the whole; but a certificate to that effect should at all times be obtained after the need for such a provision has been fully explained.

Q. 10.—Amongst the Assets in a Balance Sheet is an item of “Bills Receivable,” representing a number of acceptances. Some of these have matured prior to your commencing to audit. How would you verify the item?

A. 10.—The bills in question should be traced through the Bills Receivable Book into the Cash Book, and if it is ascertained that they have been actually received between the date of balancing and the date of audit, they may be assumed to have been in hand on the former date. Where, however, they have been renewed—either in whole or in part—the necessity for providing against bad and doubtful debts must not be lost sight of.

FINAL EXAMINATION, DECEMBER 1900.

BOOKKEEPING AND ACCOUNTS

(INCLUDING EXECUTORSHIP ACCOUNTS).

Q. 1.—In opening the books of a deceased's Estate, which of the two following methods would you adopt ?

- (a) To take the figures shown on the affidavit for Probate and open Accounts for each of the items, and at the same time open a Corpus Account ; or,
- (b) To wait until the assets are realised and the debts paid, and then to post the cash received and paid to the various Investment and other Accounts, and finally transfer the results to the Corpus Account.

State your reasons for preferring one method to the other.

A. 1.—Under normal circumstances it is thought that (a) is the better method to adopt, because

- (1) It affords a definite starting point which has been verified by affidavit.
- (2) It shows clearly how the actual results achieved differ from the results originally estimated.
- (3) The Accounts can then be kept fairly closely upon the lines with which ordinary business people are familiar.
- (4) An audit of the accounts on behalf of beneficiaries can be more easily performed.

But in cases where the estate is comparatively small, and no proper books have been kept until it has been actually realised, if it is then desired to write up a set of books it is probably simpler to work from a Cash Account alone.

The question is, however, one upon which expert opinion is divided, and it is therefore impossible to do more than express an individual preference.

Q. 2.—Under what circumstances would an Executor render himself personally liable ?

(a) As regards Investments.

(b) As regards Trading.

A. 2.—(a) He will be liable to reimburse the estate against loss arising from the making, or undue continuing, of investments not authorised by the will or by the rules made by the Court for the time being for the investment of trust funds. He would also be liable for loss of interest caused by unreasonably delaying the investment of funds.

An executor is a trustee, and is liable if he makes an investment which is not authorised by the Trustee Act of 1893, or by the will, or if he does not use ordinary care in the exercise of his discretion in choosing one of several authorised investments. Also, if he lends more than two-thirds of the full value on freehold property the investment is deemed an authorised one up to that amount, and he is liable for the excess. (Trustee Act, 1893, sections 8 and 9).

(b) He will be liable to the outside world for all debts incurred in the business in so far as the estate is insufficient to pay them. He will also be liable to the estate for loss in business occasioned through his negligence, or for unreasonably continuing a losing business, save where expressly indemnified by the terms of the will.

An executor carrying on a testator's business without express authority commits a breach of trust. But where there is a trust for sale, with power to postpone the sale, the executor may be justified in carrying on the business. (*Re Chancellor*, 26, Ch. D. 42). Whether with or without authority, the executor is liable personally to persons with whom he deals.

Q. 3.—A Testator, after providing for the payment of his debts and certain specific legacies, bequeaths to his Wife the life interest in the residue of his Estate with remainder over to his children.

In the absence of special directions in the Will, is the Wife entitled to the whole of the sums accruing as income from the date of his decease; and are the debts, specific legacies, and expenses of Executorship payable wholly out of capital?

A. 3.—Specific legacies and expenses of executorship are primarily payable exclusively out of capital; but if the capital were insufficient for this purpose, all income, whether accrued before or since the date of testator's decease, would be applicable to these purposes. Subject to the payment of these prior claims, the wife would be entitled to the whole of the sums accruing as income from the date of decease; but, in the case of income arising from wasting securities, it would probably be necessary to raise out of income a sinking fund to meet the eventual shrinkage of capital. This, however, would depend upon the exact terms of the will.

Q. 4.—You are called in to ascertain the amount of the defalcations of a man who has been employed as Cashier and Ledger-keeper, whose employer has satisfied himself that the Cash Book agrees with the Bank Pass Book. What checking would you undertake first with this object in view?

A. 4.—In such a case it would not usually be desirable to take anything for granted; but, dealing with the question as it stands, the first step would be to call back the Ledgers into the Cash Book, with a view to seeing that all items of cash credited in the Ledger were debited in the Cash Book, and all items of cash

credited in the Cash Book had been debited in the Ledger. The Creditors' Ledger Accounts should then be verified by comparison with the statements received from them ; and, to make a satisfactory investigation, it would be necessary to circularise the customers, asking them to confirm the balances standing to their debit, or to point out in what respects they are incorrect. Cash payments would also, of course, have to be fully vouched, and the cash in hand (if any) counted.

Q. 5.—Make out in the form prescribed by Act. of Parliament the Accounts of the Samaritan Assurance Society for the year 1899, from the following figures :—

Assurance Fund on 1st January 1899	..	..	£260,042
" " " 31st December 1899	..	..	258,999
Premiums	..	..	18,195
Outstanding Premiums	..	..	2,335
Loans on Society's Policies	..	..	14,767
Consideration for Annuities Granted	..	..	850
Claims by death	..	..	19,698
Commissions	..	..	544
Expenses of Management	..	..	2,344
Reductions allowed to Members on their Premiums	..	..	1,860
Interest, Dividends, and Rents	..	..	9,050
Annuities	..	..	1,173
Mortgages on Property	..	..	70,369
British Government Securities	..	..	57,634
Railway Shares	..	..	112,746
Profit on Reversions fallen in	..	..	2,156
Outstanding Interest and Rents	..	..	1,081
Balances due by Agents.. .. .	..	..	66
Claims admitted but not paid	..	..	4,177
Depreciation on Securities written off	..	..	3,975
Surrenders	..	..	1,700
Sundry Creditors	..	..	886
Loans on Personal Security	..	..	687
Accrued Interest	..	..	2,269
Cash in hand	..	..	2,058

A. 5.—

SAMARITAN ASSURANCE COMPANY.

REVENUE ACCOUNT for the Year ended 31st December 1899.

Cr.

Dr.

1899		1899			
Jan. 1	£	s	d	Claims by Death	£
Dec. 31					s
					d
Amount of Funds at the beginning of the Year	260,042	0	0	Surrenders	19,668
Premiums	£18,195	0	0	Annuities	1,700
Less Reductions	1,860	0	0	Commissions	1,173
Considerations for Annuities granted	16,335	0	0	Expenses of Management	544
Interest, Dividends, and Rents	850	0	0	Deductions allowed to Members on their Premiums	2,344
Profits on Reversions fallen in	9,050	0	0	Depreciation on Securities written off	1,860
	2,156	0	0	Amount of Funds at date	3,975
	£288,433	0	0		258,999
					£288,433

BALANCE SHEET, 31st December 1899.

1899		1899			
Jan. 1	£	s	d	Assets.	£
Dec. 31					s
					d
Assurance Fund	258,999	0	0	Mortgages on Property	70,369
Claims admitted, but not paid	4,177	0	0	Loans on Society's Policies	14,767
Sundry Creditors	836	0	0	Investments in British Government Securities	57,634
				" Railway Shares	112,716
				Loans on Personal Security	697
				Agents' Balances	66
				Outstanding Premiums	2,335
				Interests and Rents	1,081
				Accrued Interest	2,269
				Cash in hand	2,058
	£264,012	0	0		£264,012

Q. 6.—A Limited Company, registered on the 31st March 1900, takes over the Assets and Liabilities of a trading concern as on the 1st January 1900. The Profits for the six months ended on the 30th June 1900 amounted to £5,000. How would you deal with this sum in closing the books of the Company on the 30th June 1900? State whether you consider it available for distribution as Dividend on the Shares, and give your reasons.

A. 6.—A company cannot legally distribute as dividend profits earned prior to the date of its registration. It will therefore be necessary to apportion the half-year's profits between the periods prior and subsequent to the 31st March. Under normal circumstances it might be assumed that of the £5,000 net profit, £2,500 had been earned up to the 31st March 1900, and the remaining £2,500 had been earned since that date; but the apportionment would have to be reasonable in view of all the circumstances, and if, therefore, there is any considerable difference in the amount of turnover during the first three months and the second three months, it would have to be taken into account in making the apportionment.

The apportionment being once made, the profits allocated to the period from the 1st April to the 30th June 1900 would be available for distribution, while those earned prior to that date would have to be applied to writing down such items as Goodwill, Preliminary Expenses, &c., and, after their extinction, to the reduction of the amount paid for Premises, Machinery, or some other fixed asset.

Q. 7.—The Albion Company, Lim., went into Voluntary Liquidation on the 1st December 1898, and, as the Liquidator, you have to submit a Statement of your Accounts at the final meeting of the Company to be held on the 1st February 1900. Prepare this Statement from the following materials:—

The Cash at the Bankers at the commencement of the Liquidation was £100, £8,000 was collected in respect of Calls in arrear, of which £550 had to be paid over to the Company's Bankers in repayment of a loan and interest thereon secured upon these Calls. The Office Furniture realised £80, and the Stock £400. Books Debts recovered amounted to £1,000, Preferential Claims were paid to the amount of £150, and Trade Creditors to the amount of £1,500. The costs of the Solicitor to the Liquidator were £30. The sum of £275 was received from the Mortgagees of the Company's Premises, Machinery, and Plant, being the balance of the proceeds of the sale after paying off £1,000 loan on mortgage, and £225 for interest and expenses. The Liquidator's remuneration was fixed at £105, and incidental expenses amounted to £20. A first and final dividend of 1s. on each £1 Share was paid on the 50,000 Shares forming the Capital of the Company.

THE ALBION COMPANY LIMITED, IN LIQUIDATION.

STATEMENT OF RECEIPTS AND EXPENDITURE OF THE LIQUIDATOR FROM 1st DECEMBER 1898
to 1st February 1900.

Dr.

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Q. 8.—How should money received in respect of Shares which have been forfeited and re-issued be treated in the Accounts of a Company?

A. 8.—Of the total amount received a sum would have to be credited to Share Capital Account representing the amount called up upon the shares in question; any excess over this sum is in effect the premium received on the re-issue of the shares, and therefore a profit. As, however, it is not a profit made in the ordinary carrying on of the business, it should be credited to Reserve Fund, and not to Profit and Loss Account.

Q. 9.—Describe the method you would adopt to balance separately Bought and Sold Ledgers, and state the advantages (if any) of so doing.

A. 9.—It would appear from the question that the Ledgers as they stand are not self-balancing. If, therefore, it is desired to balance them separately the necessary Adjustment Accounts will have to be constructed. In the case of the Sold Ledger the Adjustment Account will be compiled as follows :—

To the total outstanding balances at the commencement of the period, add the totals of the Day Books that have been posted into that particular Ledger (or Ledgers), and also any further amounts debited, such as returned bills, interest charged, &c. From the total sum so arrived at, deduct the total cash and bills received which have been posted to that particular Ledger (or Ledgers), the total discounts allowed, goods returned, debts written off as bad, and any transfers that may have been made to other Ledgers. The net sum so arrived at should exactly agree with the total balances at the close of the period.

The Bought Ledger (or Ledgers) may be similarly balanced, the General Ledger (or Ledgers) may be balanced by adding to the balances actually extracted therefrom the total balances on

Bought and Sold Ledgers, as shown by these Adjustment Accounts. If the Trial Balance so compiled agrees, it is clear that any discrepancy in the Bought or Sold Ledgers arises from an error in one or the other of those Ledgers, as the case may be.

Q. 10.—Draw up from the following figures a Revenue Account, Net Revenue Account, and General Balance Sheet of the East and West Railway on the 30th June 1900 in the prescribed forms :—

Maintenance of Way	..	..	..	..	£7,033
Locomotive Power	..	..	..	..	9,909
Passengers carried	..	..	..	..	18,418
Parcels carried	..	..	..	..	4,078
Rates and Taxes	..	..	..	..	2,056
Rent Charges, and Chief Rents paid	..	..	..	..	533
Mails carried	..	..	..	..	669
Merchandise carried	..	..	..	..	13,651
Minerals carried	..	..	..	..	14,348
Traffic expenses	..	..	..	..	9,235
Rent paid on Leased Line	..	..	..	..	2,062
Carriage and Wagon repairs	..	..	..	..	2,530
Interest on Debenture Stock	..	..	..	..	4,217
Credit Balance brought from last half-year's Revenue Account	..	..	..	..	576
Forged Transfers Fund	..	..	..	..	597
Compensation (Accidents and Losses)	..	..	..	..	439
Debts due to other Companies	..	..	..	..	569
Rent Charge Stock guaranteed dividend	..	..	..	..	2,602
Sundry Outstanding Accounts (Creditors)	..	..	..	..	11,994
Invested in Consols	..	..	..	..	502
General Stores—Stock on hand	..	..	..	..	10,653
Cash at Bankers	..	..	..	..	11,038
Bankers and general Interest	..	..	..	..	80
Fire Insurance Fund	..	..	..	..	1,716
Traffic Accounts due to the Company	..	..	..	..	7,269
Balance at Credit of Capital Account	..	..	..	..	3,432

A. 10.—

EAST & WEST RAILWAY.

REVENUE ACCOUNT for the Half-year ended 30th June 1900.										Cr.				
Dr.														
					£	s	d				£	s	d	
To Maintenance of Way					7,033	0	0							
" Locomotive Power					9,909	0	0				18,418	0	0	
" Carriage and Wagon Repairs					2,580	0	0				4,078	0	0	
" Rates and Taxes					2,056	0	0				669	0	0	
" Traffic Expenses					9,235	0	0							
" Compensation for Accidents and Losses					439	0	0				13,651	0	0	
" Balance carried to Net Revenue Account					19,912	0	0				14,348	0	0	
					£51,164			0	0	£51,164			0	0

NET REVENUE ACCOUNT for the Half-year ended 30th June 1900.										Cr.					
Dr.															
					£ s d					£ s d					
To Interest on Debenture Stock ..					4,217	0	0	By Balance to Credit from last Account ..					576	0	0
" Rent Charge Stock, Guaranteed Dividend ..					2,602	0	0	" Balance from above Account ..					19,912	0	0
" Rent paid on Leased Line ..					2,062	0	0	" Bankers and General Interest ..					80	0	0
" Rent Charges and Chief Rents paid ..					533	0	0								
" Balance, being Payment available for Dividend ..								9,414					0	0	
								11,154					0	0	
								£20,568					0	0	

A. 10.—(continued).

Dr.		GENERAL BALANCE SHEET, 30th June 1900.		Cr.	
		£	s d	£	s d
To Balance at Credit of Capital Account	..	3,432	0 0	By Cash at Bankers..	11,598 0 0
Balance at Credit of Net Revenue Account	..	11,134	0 0	Investment in Consols..	522 0 0
Debited to other Companies	..	369	0 0	General Stores	10,533 0 0
Steady Outstanding Accounts (Creditors)	..	11,994	0 0	Traffic Accounts due	7,369 0 0
Fire Insurance Fund	..	1,716	0 0		
Forged Transfers Fund	..	597	0 0		
		£29,462	0 0		£29,462 0 0

RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES,
AND RECEIVERS.

Q. 1.—Under what circumstances can a Trustee in Bankruptcy apply to Board of Trade for release?

A. 1.—When he has realised all the property of the bankrupt, or so much thereof as, in his opinion, can be realised without needlessly protracting the trusteeship, and has paid a final dividend, if any, or has ceased to act by reason of a composition having been approved, or has resigned, or has been removed from his office.

The Board of Trade may grant or withhold the release, subject to an appeal to the High Court.

Q. 2.—State the powers of a Trustee in Bankruptcy with respect to a disclaimer of onerous property. How and when may it be made?

A. 2.—Where any part of the property of the bankrupt consists of land of any tenure burdened with onerous covenants, of unprofitable contracts, or of any other property that is unsaleable, by reason of its binding the possessor thereof to the performance of any onerous act, or to the payment of any sum of money, the trustee, notwithstanding that he has endeavoured to sell or has taken possession of the property, or exercised any act of ownership in relation to it, may, by writing signed by him, at any time within twelve months after the first appointment of a trustee, disclaim the property. But if such property has not come to the knowledge of the trustee within one month after the first appointment of a trustee, he may disclaim it at any time within twelve months after he first became aware of it. As

regards the bankrupt and his property, the disclaimer operates to determine his rights and liabilities in the property as from the date of the disclaimer, and discharges the trustee from all personal liability as from the date when the property vested in him, but does not, except in so far as is necessary for the purpose of releasing the bankrupt and the trustee from liability, affect the rights and liabilities of any other person. A trustee cannot disclaim a lease without the leave of the Court, except in any cases prescribed by general rules (see Bankruptcy Rules, 320); and the Court may, before or on granting leave, require such notices to be given to persons interested, and impose such terms and make such orders with respect to fixtures and tenants' improvements, and other matters arising out of the tenancy, as it thinks fit. The twelve months mentioned above as the time within which a trustee may disclaim, is subject to the restriction that where any person interested in the property applies in writing to the trustee requiring him to decide whether he will disclaim or not, and the trustee has, for a period of twenty-eight days after receiving the application, or such extended time as the Court may allow, declined or neglected to give notice whether he disclaims or not, he shall not be entitled to disclaim. In the case of a contract, if the trustee within the above-mentioned period of twenty-eight days after application does not disclaim the contract, he is deemed to have adopted it.

Q. 3.—Where a Trustee in Bankruptcy is applied to in writing by persons interested in property, to decide whether he will disclaim or not, under what circumstances does he lose his right to disclaim, and what results are entailed by his omission to disclaim?

A. 3.—See latter part of answer to Question 2.

Q. 4.—What are the duties of a Trustee in Bankruptcy with respect to Proofs of Debt?

A. 4.—The trustee must examine every proof and the grounds of the debt, and in writing admit or reject it in whole or in part, or require further evidence in support of it. If he rejects a proof, he must state in writing his grounds of objection. If the trustee thinks that a proof has been improperly admitted, or a creditor is dissatisfied with the trustee's decision, the Court may expunge or reduce the amount of the proof, or reverse or vary the decision of the trustee. For the purpose of any of his duties in relation to proofs, the trustee may administer oaths and take affidavits.

Q. 5.—What debts is it the duty of a Trustee in Bankruptcy to pay in priority, and when?

A. 5.—(1) Parochial and other local rates due at the date of the receiving order, and all assessed taxes, land tax, property tax, or income tax up to the 5th April next before the date of the receiving order, and not exceeding in the whole one year's assessment.

(2) Wages or salary of clerks or servants, not exceeding £50, for services rendered during four months before the date of the receiving order.

(3) Wages of labourers and workmen, not exceeding £25, for services rendered during two months before the date of the receiving order.

These must be paid forthwith, subject to the retention of such sums as may be necessary for the administration or otherwise, and rank, and, if the estate is insufficient to pay them in full, abate equally.

(4) The trustee may, if he think fit, pay to any apprentice or articled clerk of the bankrupt such sum as he thinks reasonable, subject to an appeal to the Court.

(5) In the case of a deceased person, proper funeral and testamentary expenses have priority over all other debts.

Q. 6.—After a Winding-up Order has been made and the Court has appointed a Liquidator other than the Official Receiver, what has to be done before he can act ?

A. 6.—By Section 4, subsection (3), of the Companies (Winding-up) Act, 1890, a liquidator other than the Official Receiver, shall not be capable of acting until he has notified his appointment to the Registrar of Joint Stock Companies, and given security in the manner prescribed by the Board of Trade.

Q. 7.—What powers can be exercised only with permission of the Court or Committee of Inspection ?

A. 7.—The liquidator, with the sanction either of the Court or the committee of inspection, may—

(1) Carry on the business of the company.

(2) Bring or defend any legal proceedings in the name or on behalf of the company.

(3) Pay all classes of creditors in full, or make such compromise or other arrangement as the liquidators may deem expedient with creditors or persons claiming to be creditors, or persons having or alleging themselves to have any claim, present or future, certain or contingent, ascertained or sounding only in damages against the company, or whereby the company may be rendered liable.

(4) Compromise all calls and liabilities to calls, debts and liabilities capable of resulting in debts; and all claims, whether present or future, certain or contingent, ascertained or sounding only in damages, subsisting or supposed to subsist between the company and any contributory or alleged contributory, or other debtor or person apprehending liability to the company; and all questions in any way relating to or affecting the assets of the company, or the winding-up of the company, upon the receipt of such sums, payable at such times and generally upon such terms

as may be agreed upon, with power for the liquidators to take any security for the discharge of such debts and liabilities, and to give complete discharges in respect of all or any such calls, debts, or liabilities.

(5) Employ a solicitor or other agent to take any proceedings or do any business which the liquidator is unable to take or do himself. The sanction must be obtained before the employment, except in cases of urgency, and in such cases it must be shown that no undue delay took place in obtaining the sanction.

Q. 8.—In a Voluntary Liquidation, what powers of a Liquidator are exerciseable only with the sanction of the Company given by extraordinary resolution ?

A. 8.—(3) and (4) of answer to Question 7, and also :—Where the company is proposed to be or is in the course of being wound up altogether voluntarily, and the whole or part of its business or property is proposed to be transferred or sold to another company, the liquidators of the first-mentioned company may, with the sanction of a special resolution of the company by whom they were appointed, conferring either a general authority on the liquidators, or an authority in respect of any particular arrangement, receive in compensation or part compensation for such transfer or sale, shares, policies, or other like interests in such other company for the purpose of distribution amongst the members of the company being wound up, or may enter into any other arrangement whereby the members of the company being wound up may, in lieu of receiving cash, shares, policies, or other like interests, or in addition thereto, participate in the profits of or receive any other benefits from the purchasing company. This is subject to the right of a dissentient member of the company being wound up to have his interest purchased by the liquidator. (Companies Act, 1862, Section 161.)

Q. 9.—Under what circumstances may the Court appoint a Special Manager in the case of a winding-up; and what are his powers?

A. 9.—Where the Official Receiver becomes the liquidator of a company, whether provisionally or otherwise, he may, if satisfied that the nature of the estate or business of the company, or the interests of the creditors or contributories generally, require the appointment of a special manager of the estate or business of the company other than himself, apply to the Court to, and the Court may, on such application, appoint a special manager thereof during such time as the Court may direct, with such powers, including any of the powers of a receiver or manager, as may be entrusted to him by the Court.

Q. 10.—State briefly the general duties of a Receiver appointed :—

(a) By the Court.

(b) By Deed.

A. 10.—(a) The general duty of a receiver is to take possession of the subject-matter of the dispute in the cause, and do all such acts of ownership as to the receipt of rents, compelling payment of them, management and letting of lands and houses, and otherwise making the property as productive to the parties ultimately declared to be entitled thereto as the owner himself could do if he were in possession. (“Kerr on Receivers,” p. 167.)

(b) In the case of a receiver appointed under a mortgage deed his duties are to receive the profits of the property, to pay the outgoings, hand over the interest to the mortgagee, and pay the balance to the mortgagor or other person entitled. If the mortgage be not a first mortgage he must pay the interest on the prior incumbrances.

BOOKKEEPING AND ACCOUNTS

(INCLUDING PARTNERSHIP ACCOUNTS).

Q. 1.—K., W., and Y., trading as K. & Co., carried on business in partnership, profits being divided to K., four-eighths; W., three-eighths; and Y., one-eighth. The articles of partnership provided that the accounts should be taken annually on the 30th June, and a Balance Sheet prepared showing each partner's capital; that on the death of a partner the surviving partners should become the purchasers of the deceased's share at the amount of his capital shown by the Balance Sheet of the 30th of June preceding his death, plus further capital, if any brought in by him, and interest thereon at the rate of 5 per cent. per annum, to the date of death, after deducting any sums withdrawn by him or due from him to the firm; and that there should be added for his share of the profits of the current year a proportion from the date of the last Balance Sheet to the end of the month in which the death occurred, the profits of such year being estimated as equal to the average profits of the last three years. The balance found to be due at the date of death was to bear interest at the rate of 5 per cent. per annum until payment.

W. died on September 11th 1900. The Balance Sheet of June 30th 1900 showed £80,000 standing to W.'s credit on Capital Account, and £600 on Drawing Account.

He withdrew on July 31st, £500, and on August 31st, £500; and was owing on September 11th for goods, £50.

The profits for the three years ended June 30th were:—1898, £6,400; 1899, £7,600; and 1900, £8,400.

On 19th October the surviving partners paid to W.'s executors £20,000, and arranged to pay the balance of principal and interest on 31st December next.

Prepare a complete statement headed "The Executors of W. in account with K. & Co.," showing the amount to be paid over on the day named for settlement.

Q. 2.—Messrs. Field & Croft desire to know what return they ought to make of profits chargeable with Income Tax under Schedule D, and what deductions they would be entitled to. Three years' Trading Accounts showed profits of £90, £150, and £180 respectively, after charging against the profits salary drawn by the partners at the rate of £3 per week each. The profits were divisible two-thirds to Field and one-third to Croft. Neither partner had income from any other source. Explain what steps should be taken to obtain proper assessments; and show the amounts payable by each partner, the tax being a shilling in the pound.

A. 2.—The partners should be separately assessed and a return made to the Income Tax Surveyor, setting forth the particulars and showing how the Average Profit for the last three years was arrived at.

The amount payable by each partner would be as follows, viz. :—

				£
Net Profit, 1st year..	..	..	..	90
„ 2nd „	..	..	..	150
„ 3rd „	..	..	..	180
Salary at £3 per week per partner				
for 3 years ..	..	..	..	936
				<u>3)1,356</u>

Average Net Profit £452 6s. 8d.

for purposes of assessment.

FIELD'S RETURN.					CROFT'S RETURN.				
				£					£
Profit, 1st year ..	..	..	..	60	Profit, 1st year ..	..	..	..	30
„ 2nd „	..	..	..	100	„ 2nd „	..	..	..	50
„ 3rd „	..	..	..	120	„ 3rd „	..	..	..	60
Salary for 3 years	..	..	..	468	Salary for 3 years	..	..	..	468
				<u>3)748</u>					<u>3)608</u>
Average ..	..	..	..	£249 6s. 8d.	Average ..	..	..	..	£202 13s. 4d.

A. 2.—(continued).

INCOME TAX PAYABLE.				INCOME TAX PAYABLE.			
	£	s	d		£	s	d
Total Income ..	249	6	8	Total Income ..	202	13	4
Less Abatement ..	160	0	0	Less Abatement ..	160	0	0
At 1s. in the £ on	89	6	8	At 1s. in the £ on	42	13	4
= £4 9s. 4d.				= £2 2s. 8d.			

Q. 3.—A. & Co., being indebted to C. and G. to the extent of £200, and desiring further credit for six months, were required to give security. To provide the security A. & Co. drew a Bill, dated 30th September 1900, on their Agents, R. M. & Co., in Sydney, for £500 at six months, payable in London to C. and G. The amount due from R. M. & Co. to A. & Co., on the 30th September 1900, was £350, and they drew on A. & Co. a Bill at six months, payable in London, for £150.

State what would be the proper entries to be made in A. & Co.'s books, and set out the Ledger Accounts which would be affected by the transactions, showing such of the above items as would appear therein respectively.

A. 3.—Ledger Accounts in A. & Co.'s Books:—

Dr.		R. M. & Co.		Cr.			
1900		£	s d	1900		£	s d
Sept. 30	To Balance	350	0 0	Sept. 30	By Bills Receivable ..	500	0 0
" "	" Bills Payable	150	0 0				
		£500	0 0			£500	0 0
		<u> </u>				<u> </u>	

BILLS RECEIVABLE ACCOUNT.

	£	s	d
1900			
Sept. 30	To Bill Book ..	500	0

BILLS PAYABLE ACCOUNT.

	£	s	d
1900			
Sept. 30	By Bill Book ..	150	0

C. & G.

	£	s	d
1900			
Sept. 30	By Balance..	200	0

A. 3.—(continued).

BILLS RECEIVABLE BOOK.

No. of Bill	On whom Drawn	By whom Accepted	To whom Payable	Date	When Due	Time	Amount	How disposed of
1	R. M. & Co. ..	R. M. & Co. ..	C. & G. ..	1900 Sept. 30	April 3	6 months	£ s d 500 0 0	Handed as security to C. & G.

BILLS PAYABLE BOOK.

No. of Bill	By whom Drawn	By whom Accepted	To whom Payable	Date	When Payable	Time	Amount	Remarks
1	R. M. & Co. ..	Ourselves ..	R. M. & Co. ..	1900 Sept. 30	April 3	6 months	£ s d 150 0 0	

Q. 4.—Crank and Crane carried on business in partnership, and divided profits and losses in proportion to their capital, three-fifths and two-fifths.

On January 1st 1900 Crank's capital was £10,500, and Crane's £7,000, as shown by a Balance Sheet of that date. They agreed to admit Clark as a partner from the same date on the following terms :—

- (1) The assets, liabilities, and capital to be taken as shown in the Balance Sheet.
- (2) £2,500 to be added to the assets for Goodwill.
- (3) The amount of Goodwill to be added to Crank's and Crane's capital in the proportions in which they divide profits.
- (4) Clark to pay in cash to the credit of the partnership such a sum as would give him a one-fifth share in the business.

State what amount of capital Clark has to bring in ; set out the Capital Account of each partner in the new partnership, and state in what proportions the profits will be divided in future ; Crank and Crane, as between themselves, sharing in the same proportions as before.

A. 4.—

Dr.	CRANK'S CAPITAL ACCOUNT.				Cr.
	1900 Jan. 1	By Balance ..	£	s	d
	" "	" Share of Goodwill created ..	10,500	0	0
			1,500	0	0
			<u>£12,000 0 0</u>		

Dr.	CRANE'S CAPITAL ACCOUNT.				Cr.
	1900 Jan. 1	By Balance ..	£	s	d
	" "	" Share of Goodwill created ..	7,000	0	0
			1,000	0	0
			<u>£8,000 0 0</u>		

A. 4.—(continued).

Dr.	CLARK'S CAPITAL ACCOUNT.	Cr.
	1900 Jan. 1 By Cash, being amount brought in, in purchase of a one-fifth Share ..	£ s d 5,000 0 0

The Profits will be divided in future in the following proportions, viz. :—

Crank, $\frac{1}{3}\frac{2}{5}$ ths; Crane, $\frac{1}{2}\frac{1}{5}$ ths; Clark, $\frac{1}{3}\frac{1}{5}$ ths.

Q. 5.—Draw out a specimen of a Capital Account as required to be kept in respect of an Electric Light undertaking, and explain how the figures are dealt with in the Balance Sheet. Explain also the method of dealing with depreciations and the stock of materials on hand, and their respective positions in the annual statements at the end of the year.

A. 5.— SHARE CAPITAL ACCOUNT, showing Particulars of Capital issued and paid up.

Description	Amount of Issue	Amount paid up, as per last Account	Issued during Year	Paid up during Year	Total now issued	Total paid up to date	Amount unpaid
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
CAPITAL ACCOUNT							
<i>Dr.</i>	<i>Cr.</i>						
To Expenditure incurred in acquiring the following :— Property Mains Parliamentary Costs .. &c., &c., &c.	Amount expended as per last Account	Expended this Year	Total to date	By Capital Subscribed as per particulars in above Account :— Ordinary Stock Preference Stock Debentures &c., &c.			
	£ s d	£ s d	£ s d	£ s d			
Total	£ s d	£ s d	£ s d	£ s d			
Net Total carried to General Balance Sheet	£ s d	£ s d	£ s d	Total carried to Balance Sheet			

Depreciation on Property, &c., is debited to Revenue and credited to Depreciation Fund, which is deducted from Expenditure, as shown above. The stock of Materials on hand is shown in the General Balance Sheet, and reduces the charge that would otherwise be debited to Capital Account or Revenue Account.

Q. 6.—State, as shortly as you can, the method of producing Factory Cost Accounts.

A. 6.—By dissecting all direct expenditure into the various departments or contracts, and apportioning standing charges rateably thereover.

Q. 7.—Describe the principal Books of Account (not more than six) used in one only of the following businesses :—

- (1) Banking.
- (2) Life Assurance.
- (3) Electric Lighting.

A. 7.—

- (1) General Ledger.
Depositors' Ledger.
Current Account Ledger.
Charges Ledger.
Loan Ledger.
Journal.
- (2) New Premiums Book.
Renewal Premiums Book.
Agents' Ledger.
Claims Book.
Investments Ledger.
Loans Ledger.
- (3) Rental Ledger.
General Ledger.
Wages Book.
Stores Ledger.
Capital Expenditure Book.
Bought Ledger.

Q. 8.—A gentleman, having built and presented a General Hospital to a provincial town, and also given £500 for the endowment of a bed to be called the "Dora Cot," it is desired that proper Books of Account be provided, and instructions given for keeping

them. State what books you would recommend, and make a neat specimen ruling of a suitable Cash Book. Also state how the accounts should be kept so that a proper account of income and expenditure may be prepared annually. The Hospital is to be supported by public subscriptions and donations.

A. 8.—List of Books :—

Cash Book (Columnar system).

Journal.

Ledgers.

Stores Book (Columnar system).

Receipt Book.

Q. 9.—Rule a book or books, and make entries of the following transactions of a Solicitor. You are not required to open Ledger Accounts or post any of the items, but to enter them in the Cash Book, Journal, or such other books as you deem necessary or desirable :—

1900.

Sept. 1.—Received from C. D., £300.

Paid for C. D. amount of deposit on purchase of property, £250.

Received of A. B. for advance to C. D. on Mortgage, £500.

Paid for C. D. balance of purchase-money and interest, £478 10s.

„ 3.—Received debt £30 due to E. F., and £2 10s. for costs.

Paid cash to Bank, £90.

Delivered Bill of Costs to J. K., £17 16s. 8d.

Charged costs against C. D. for conveyance, mortgage, and other business, £53.

Paid cheque to C. D. for balance, £18 10s.

„ 4.—Received from the Executors of G. H. proceeds of Shares sold, £600.

Placed on deposit with the City Bank, Lim., at $2\frac{1}{2}$ per cent., for Executors of G. H., £600.

Received on account of costs, £80.

Petty cash for disbursements and stamps, £10.

„ 5.—Drew for private expenses, £40.

Agents advise receipt of £25 for K. C., on account of debt.

Received on account of Agents' costs to August 12th, £165.

Remitted cheque to Agents for £100 on account.

Costs delivered to Executors of G. H., £9.

A. 9.—

Date	Particulars	Debits				Credits			
		Clients	Office	Cash	Bank	Bank	Cash	Office	Clients
1000		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
Sept. 1	Received from C. D.	..	..	300 0 0	..	..	..	..	300 0 0
"	Paid for C. D., Amount of Deposit ..	250 0 0	..	..	..	..	250 0 0	..	..
"	Received from A. B. for advance to C. D.	..	..	500 0 0	..	..	..	..	500 0 0
"	Paid for C. D.	478 10 0	..	..	..	..	478 10 0	..	..
" 3	Received Debt due E. F., £30, and Costs £2 10s.	..	..	32 10 0	..	..	..	2 10 0	30 0 0
"	Paid Cash to Bank	..	..	..	90 0 0	..	90 0 0	..	..
"	Bill of Cost to J. K.	17 16 8	..	..	..	..	..	17 16 8	..
"	Costs against C. D.	53 0 0	..	..	..	..	..	53 0 0	..
"	Paid Balance to C. D.	18 10 0	..	..	18 10 0	..	..	..	..
" 4	Received from Executors of G. H.	600 0 0	..	600 0 0	..	..	600 0 0	..	600 0 0
"	Placed on Deposit for Executors of G. H.	..	..	80 0 0	..	..	..	80 0 0	..
"	Received on account of Costs ..	..	10 0 0	..	..	..	10 0 0	..	..
"	Petty Cash Disbursements	..	40 0 0	..	..	..	40 0 0	..	..
" 5	Drew for Private Expenses ..	..	..	..	..	..	..	..	..
"	Agents advise receipt of £25 from K. C.	25 0 0	..	165 0 0	..	..	..	..	25 0 0
"	Received on account of Agents' Costs	100 0 0	..	..	100 0 0	..	..	..	165 0 0
"	Remitted Cheque to Agent	9 0 0	..	..	..	..	..	9 0 0	..
"	Costs delivered to Executors of G. H.	..	..	..	..	..	..	..	..
	Balance down	1,531 16 8	50 0 0	1,677 10 0	118 10 0	118 10 0	1,468 10 0	162 6 8	1,620 0 0
		68 3 4	112 6 8	..	..	..	269 0 0	..	..
		£ 1,600 0 0	162 6 8	1,677 10 0	118 10 0	118 10 0	1,677 10 0	162 6 8	1,620 0 0
	Balance down	..	..	209 0 0	..	28 10 0	..	112 6 8	68 3 4

Q. 10.—Gray, White & Green are Ironfounders. From the following Trial Balance and information prepare a Profit and Loss Account and Balance Sheet for the year ended 30th September 1900 :—

TRIAL BALANCE, September 30th 1900.

			£	s	d	£	s	d
Purchases—Pig Iron	..	..	6,455	9	6			
Coal and Coke	..	..	3,106	10	10			
Sand, Stores, and Sundries ..	..	..	2,060	8	0			
Sales—Castings	..	..				40,500	10	0
Sundries	..	..				1,020	0	6
Wages	..	..	14,500	10	0			
Maintenance and Repairs ..	..	..	1,006	0	0			
Rates and Water	..	..	156	0	0			
Gas	..	..	110	0	0			
Insurances	..	..	195	0	0			
Discounts and Allowances ..	..	..	400	0	0			
Bad Debts	..	..	70	8	6			
Travelling and Commission ..	..	..	721	10	0			
Stamps and Telephone	..	..	120	0	0			
Carriage and Cartage	..	..	1,206	0	0			
Salaries	..	..	1,610	0	0			
Income Tax (Suspense)	..	..				105	0	0
Interest	..	..	450	0	0			
Cash at Bank	..	..	1,360	0	0			
Cash in hand	..	..	105	0	0			
Loan Account	..	..				10,000	0	0
Partners' Salaries	..	..	1,500	0	0			
Freehold Buildings and Fixed Machinery ..	..	..	20,000	0	0			
Plant, Tools, and Fixtures ..	..	..	4,500	0	0			
Models and Patterns	..	..	2,500	0	0			
Stock on hand, 30th September 1899 ..	..	..	13,390	0	0			
J. Gray—Capital	..	..				20,000	0	0
Sundry Debtors	..	..	19,828	3	2			
T. White—Capital	..	..				12,000	0	0
W. Green—Capital	..	..				8,000	0	0
Sundry Creditors	..	..				3,725	9	6
			£95,351	0	0	£95,351	0	0

Make the following provisions :—For Wages, £99 ; Carriage, £50 ; Bad Debts, £150 ; Discounts, £396 10s. ; Repairs, £70 ; also Income Tax on the year's profits subject to tax.

Credit interest on Loan Account for half year at 4 per cent.

The valuations on 30th September 1900 were as follows :—Plant, Tools, and Fixtures, £5,000 ; Models and Patterns, £2,650 ; Stock, £15,000.

Credit partners with interest on capital at 5 per cent., and divide profits or losses to Gray, White, and Green in the proportion of 7, 5, and 3 parts respectively.

A. 10.—

Dr. PROFIT AND LOSS ACCOUNT for the Year ending 30th September 1900.				Cr.			
	£	s	d		£	s	d
To Stock, 30th September 1899	..	..	..	By Castings	13,390	0	0
" Purchases:—				" Sundries	..	..	..
Pig Iron	6,455	9	6	" Increase in value of Plant, Tools, &c. ..	500	0	0
Coal and Coke	3,106	10	10	" " Models and Patterns ..	190	0	0
Sand, Stores, and Sundries	2,060	8	0	" Stock	690	0	0
" Wages	..	..	..		15,000	0	0
" Gross Profit carried down	..	..	..		£57,170	10	6
To Carriage and Cartage	1,256	0	0	By Balance down	..	..	..
" Rates and Water	156	0	0				
" Repairs and Maintenance	1,076	0	0				
" Gas	110	0	0				
" Insurance	195	0	0				
" Discount and Allowances	400	0	0				
" Bad Debts	721	10	0				
" Travelling and Commission	120	0	0				
" Stamps and Telephone	1,610	0	0				
" Salaries	1,500	0	0				
" Partners	650	0	0				
" Interest on Loans	2,400	0	0				
" Capital	396	10	0				
" Reserve for Discounts and Allowances ..	150	0	0				
" Bad Debts	..	..	..				
" " Income Tax, is. in the £ ..	564	17	0				
" on £11,297	..	..	..				
					10,976	5	6
To Net Profit divided as follows:—							
Gray, 10th	3,071	15	2				
White, 10th	2,194	2	3				
Green, 10th	1,316	9	3				
					6,582	6	8
					£17,558	12	2

* In so far as the £105 to the credit of Income Tax Suspense Account include tax deducted from Interest debited to the current Profit and Loss Account, no further reserve would be necessary. In practice it would only be necessary to make provision for tax for the period from 4th April to 30th September 1900.

A. 10.—(continued).

BALANCE SHEET, 30th September, 1900.

Liabilities.				Assets.			
Capital Accounts—				Freehold Buildings and Fixed Machinery			
J. Gray	..	..	..	Plant, Tools, and Fixtures	..	..	..
Add Interest	..	..	..	Models and Patterns	..	..	..
" Profit ..	..	..	..	Stock	..	..	..
T. White	..	..	..	Debtors ..	..	19,828	3 2
Add Interest	..	..	..	Less Reserve for Bad Debts	£150	0	0
" Profit ..	..	..	..	" " Discount	396	10	0
W. Green	..	..	..	Cash at Bank ..	..	..	..
Add Interest	..	..	..	" in hand ..	..	1360	0 0
" Profit	..	..	..		..	105	0 0
Creditors—	..	..	..				
On Open Accounts	..	..	..				
For Wages	..	..	..				
" Carriage..	..	..	..				
" Repairs ..	..	..	..				
" Income Tax	..	..	..				
Loan	..	..	..				
Add accrued interest to date	..	..	..				
						</	

AUDITING.

Q. 1.—The following are the Accounts at the end of the first year of a Land Estates Company. How would you conduct your Audit?

BALANCE SHEET, September 30th 1900.

				£	s	d
To Capital—20,000 Shares of £10	..	..	..	200,000	0	0
„ Mortgages	..	..	..	150,000	0	0
„ Creditors, for Interest, &c...	..	..	..	2,500	0	0
„ Leaseholds Depreciation Fund	..	..	..	1,800	0	0
„ Revenue Account—						
Proposed Dividend of 5 per cent.	..	£10,000	0	0		
Balance forward	..	4,400	0	0		
				14,400	0	0
				£368,700	0	0

				£	s	d
By Cost of Estates, including Conveyance and Stamps—						
Freehold	..	..	£250,000	0	0	
Leasehold	..	..	90,000	0	0	
				340,000	0	0
„ Preliminary Expenses	..	..	..	300	0	0
„ Investment, Consols	..	..	..	1,800	0	0
„ Office Furniture, &c.	..	..	..	500	0	0
„ Debtors, for Rents	..	..	..	5,100	0	0
„ Cash Balance	..	..	..	21,000	0	0
				£368,700	0	0

REVENUE ACCOUNT, year ending September 30th 1900.

				£	s	d
To Interest on Mortgages	..	..	£6,000	0	0	
Less Income Tax	..	..	250	0	0	
				5,750	0	0
„ Repairs to Properties	..	..	..	..	1,700	0 0
„ Salaries and other expenses	..	..	..	..	1,083	13 4
„ Directors' Fees ..	..	..	..	..	200	0 0
„ Reserve for Depreciation of Leaseholds	..	..	..	..	1,800	0 0
„ Balance of Profit	..	..	..	..	14,400	0 0
				£24,933	13	4
				£	s	d
By Income from Estates, per Rent Roll ..			£26,000	0	0	
Less Property Tax allowed	..		1,066	6	8	
				24,933	13	4
				£24,933	13	4

A. 1.—Dealing with the various items in the order in which they are stated, the Auditor's investigation would be directed towards the following points :—

Capital.—Ascertain that the issue is within the authorised issue of the company ; that the allotments are in order ; and that the whole amount credited has been actually received in cash, or credited as being paid up in accordance with the contracts adopted by the company and duly filed with the Registrar of Joint Stock Companies.

Mortgages.—Ascertain if the Company had power to borrow money on mortgage, and that the amount has been actually received by the company, and that the amount is due at the date of the accounts.

Creditors for Rent, &c.—Ascertain that the amount is correct, and (so far as possible) that it includes all liabilities to date.

Leaseholds Depreciation Fund.—This amounts to only 2 per cent. on the cost of the leaseholds, and would appear to be quite inadequate to cover more than the bare waste of buildings, even if of a substantial character. Unless the lease has at least 70 years to run, the provision is insufficient. The question also arises as to whether some reserve ought not to be made for depreciation for freehold buildings.

Cost of Estates.—It is probably permissible to capitalise cost of conveyance and stamps, but it would be more satisfactory in every way for this to be included among preliminary expenses. The title deeds should be inspected, or a certificate obtained from the mortgagees that the deeds are in their possession.

Preliminary Expenses.—The amount of this is so small that it would appear to be clearly advantageous for them to be entirely written off against the revenue of the current year.

Investments in Consols.—A certificate from the Bank of England, dated the 30th September 1900, should be obtained, verifying the existence of this investment. The broker's note should also be produced to verify the cost thereof. The proportion of the quarter's interest due on the 5th October should be included in the accounts as an asset. No entry appears to the credit of revenue in respect of interest on Consols. Enquiry should be made as to whether dividends accrued due have been received, and, if so, what had been done with them.

Office Furniture.—The cost price of this item should be verified, and some provision made for depreciation.

Debtors for Rents.—These appear to be reasonable in amount, but the details should be verified and due provision made for any that appear to be doubtful.

Cash Balance.—This should be verified by a certificate from the bankers and the actual counting of petty cash in hand.

Interest on Mortgages.—It should be seen that this represents the actual amount chargeable against the year. The amount deducted for income tax would appear to be insufficient, suggesting that some payments had been made without deduction for tax.

Repairs to Properties.—These should be vouched in the usual way. The amount appears to be small, and suggests an enquiry as to whether a further reserve should not be made under this heading.

Salaries and other Expenses.—These should be vouched in the usual way, care being taken to see that all expenses up to date of balancing are included.

Directors' Fees.—These should be verified and, if paid, vouched.

Income from Estates.—These should be verified by a careful inspection of the rent roll, with a view to seeing that all rent accruing has been duly accounted for. The amount deducted for property tax is inadequate. Due reserve should be made for the full amount of the tax deductible.

Q. 2.—In connection with the foregoing question the Company require your advice, as Auditor, *re* Income Tax on the proposed dividend to Shareholders; and, further, they request you to compile a statement which shall accompany the Return to be made to the Income Tax Commissioners. State what your advice would be, and give particulars of the statement you would prepare.

A. 2.—It is competent for the company to declare a dividend, subject to deduction for income tax or otherwise, as may be thought expedient. As the company pays tax upon the whole of its income from every source, even if tax be deducted from the dividends it will not have to be handed over to the Income Tax Commissioners.

The tax on the company's income will be under Schedule "A" in respect of rents received, and under Schedule "C" in respect of dividends on Consols. The only "return" that it will be necessary to make to the Income Tax Commissioners under Schedule "D," therefore, will be one to the effect that the company has received no income whatever from any source assessable under that schedule.

Q. 3.—In auditing a Banking Company's Accounts, how would you verify the following :—

Cash and Notes at Head Office and Branches.
 Securities owned by the Bank.
 Loans to Customers on cover.
 Debtors for overdrafts.

A. 3.—Cash and notes at head office and branches should be verified by actual counting on the date of balancing. In the case of remote branches this may possibly be dispensed with, but particular care should be taken in these cases to verify the returns, and an omission to actually count the cash must (apparently) be made at the auditor's own risk. Securities owned by the bank should be verified by inspection of securities themselves. Loans to customers by scrutiny of the certified lists of balances, fully tested in the case of the more important items by reference to the Ledger Accounts. All the securities held as cover must be produced, as there is otherwise a risk that they might be submitted to the auditor as securities owned by the bank itself. Debtors for overdrafts should be verified by the production of certified lists of balances, care being taken to see that they have all been brought to the knowledge of the directors. The more important ones should be fully checked, and the whole tested by a detailed examination of one or more Ledgers. Due enquiry must also be made as to the adequacy of the reserve for bad and doubtful debts.

Q. 4.—What would be the terms of your Certificate upon the Balance Sheet which comprised the foregoing items?

A. 4.—Assuming everything to be in order the certificate might take the following form:—"We have compared the above statements with the books and vouchers at the head office, and with the certified returns from the several branches, and certify that we found the cash in hand and at Bank of England, bills discounted, loans, and other items as stated in the Balance Sheet, to be duly in accordance therewith. We have likewise examined the securities for cash and calls at short notice, and also the investments of the bank standing in the Balance Sheet at £ , and found same correct."

Q. 5.—A Company is carrying out a number of Contracts which are in various stages of completion. As Auditor, you find, on the Balance Sheet, an asset described as "Works in Progress, £221,000," and, on the Revenue Account, a credit entitled "Profits on Contracts to date, £19,600." How would you satisfy yourself as to the correctness of those amounts?

A. 5.—The asset described as "Works in Progress" should be ascertained to represent the actual cost of such works, *plus* any profit which may fairly be taken credit for to date, *minus* any losses that ought properly to be taken into account. With regard to profits taken credit for on account of contracts not completed, a general safe rule is that no profit should be taken into account until the time has arrived when it is practicable to make a *definite* and *reliable* estimate of the cost to complete the work; when—and not until—this has been done the estimated ultimate profit may be fairly apportioned in accordance with the outlay to date. With regard to contracts, which it is anticipated will result in a loss, the whole of such loss, in so far as it can be foreseen, should be debited against the current period.

Upon the figures stated a profit of nearly 10 per cent. would appear to be sufficiently large to call for further enquiry, but much would, of course, depend upon the extent to which establishment charges have been apportioned among the various contracts before arriving at such estimated profit.

Q. 6.—In the Cash Book of a Company you find various amounts relating to the Sale and Purchase of Securities. What evidence would you require concerning them?

A. 6.—The broker's notes should be called for to verify the amount paid or received in respect of the purchase or sale of the securities in question. The existence of those securities, still held at the date of balancing, should be verified by the actual production of the necessary bonds, certificates, etc.

Q. 7.—What would you consider to be your duty if, on auditing the first accounts of a Limited Company, you became aware that certain Shares accruing to the Vendors in part settlement of the purchase consideration had been allotted to them or to their nominees without an Agreement relating thereto having been filed with the Registrar of Joint Stock Companies? Further, what is the effect of the non-registration of such an Agreement?

A. 7.—The auditor should draw attention in his certificate to the omission to file the contract relating to the issue of fully-paid shares. The effect of non-registration is to make the original allottees of those shares liable (in the event of liquidation) to pay the full face-value thereof; but under the Companies Act, 1898, where the omission to file the contract is due to ignorance or inadvertence, application may be made to the Court for relief; and, if such relief be granted, the Court will order whatever contract it may think necessary to be filed, which will constitute a full discharge of any such liability as aforesaid.

The auditor's duty is to advise the directors to cancel the allotment, register the contract, and then re-issue the shares. The effect of non-registration is to make the allottee liable as a contributor for the full face-value of the shares.

Q. 8.—A Limited Company commenced its existence with an excess of Liabilities over Assets to the extent of £9,100, which sum was debited to an account entitled "Suspense Account."

During the first two years small losses were made and carried forward on the Profit and Loss Account, but in the third year a change of trading produced a profit sufficient to wipe out the losses of the previous two years, and to leave a balance of £10,100 for disposal.

There were two classes of Shareholders: Preference 5 per cent., £20,000; and Ordinary, £15,000.

The Preference Shareholders claimed that the surplus profit, after payment of preference dividend, should go to extinguish the "Suspense Account"; on the other hand, the Ordinary Shareholders claimed the whole of such surplus as their dividend, on the ground that the original deficiency carried to "Suspense Account" was virtually Goodwill, although not so described in any book or document.

What is your duty, as Auditor, with regard to each suggestion, if adopted?

A. 8.—Whichever plan be adopted it is desirable that the auditor should see that the actual facts of the case are fully placed before the whole of the shareholders. It would appear, however, that the contention put forward on behalf of the ordinary shareholders is correct, and that the excess of liabilities over tangible assets is to be regarded as Goodwill, for no company can be compelled to apply its profits towards the making good of a deficiency existing *at* the date of its registration.

Q. 9.—A Company purchased a business as a going concern on January 1st 1900, with a right to the profits from October 1st 1899. Its Capital is :—

5 per cent. Preference Shares	..	..	£50,000
6 per cent. Preferred Ordinary Shares	..	..	50,000
Deferred Ordinary Shares	..	..	24,800

The year's profits to September 30th 1900 are found to have been £7,664. What appropriation of such profits would you, as Auditor, consider to be correct ?

A. 9.—It is the duty of the directors to make a reasonable and *bonâ fide* apportionment of the year's profits, and it is the duty of the auditor to see that this is done, or to report to the shareholders if he thinks that it has not been done. The proper method of apportionment would be to give each period credit for the actual sales effected therein, and to charge against these sales the whole of those expenses which vary directly with the turnover, apportioning the standing expenses which do not so vary according to the time covered by the respective periods ; but, if the sales for the first three months were approximately one-fourth of the total sales, and the direct expenses were approximately in the same proportion, then, no doubt, an allocation of one-fourth of the total profits to the period prior to incorporation would be regarded as reasonable and *bonâ fide*.

Q. 10.—Does the examination of a Company's Share Transfers form part of an Auditor's duty or not ? Give reasons for your reply.

A. 10.—It is no part of the auditor's duty to examine share transfers, seeing that his duties are confined to a verification of the accounts submitted to the shareholders in general meeting, which accounts are not affected by transfers of shares from one holder to another.

BANKRUPTCY AND COMPANY LAW.

Q. 1.—In what circumstances do goods “in the possession, order, or disposition” of a Bankrupt fall within the Reputed Ownership clause of the Bankruptcy Act, 1883, and with what result?

A. 1.—Under Section 44 (2) (iii.) of the Bankruptcy Act, 1883, all goods, being at the commencement of the bankruptcy in the possession, order, or disposition of the bankrupt in his trade or business—*i.e.*, for the purposes of and in connection with his trade or business (*Colonial Bank v. Whinney*, 1885, 30 Ch.D. 261, 11 App. Cas. 426)—by the consent and permission of the true owner, under such circumstances that he is the reputed owner of such goods, are divisible as “property” among the bankrupt’s creditors. This is the result of the reputed ownership clause. The circumstances under which goods fall within it may be gathered from the following notes:—If the circumstances were such as to enable the bankrupt by means of the goods to obtain false credit, the reputed ownership doctrine may apply. It applies to separate goods of a partner in possession of his firm with his consent, but not as between a dormant and ostensible partner. Things in action (*e.g.*, shares, patents, copyrights) other than debts due are excepted. Consent of the true owner is essential, and the bankrupt, for the clause to apply, must be in sole possession of the goods. The presumption of ownership arising from possession may be rebutted by proof of a trade custom displacing the inference—*e.g.*, a custom among hop merchants to retain hops purchased by their customers; or, in the printing trade, of hiring machinery.

Q. 2.—A Receiving Order is made against one member of a firm. Has a creditor of the firm any and what rights in respect of the Bankrupt partner’s separate estate?

A. 2.—Under Section 9 of the Partnership Act, 1890, the bankrupt partner is liable, *jointly* but not *severally*, with the other partners for all debts and obligations of the firm incurred while he was a partner. If the debt of the creditor of the firm was incurred on a contract made by the bankrupt partner, his estate may be *separately* liable to the creditor, if he held himself out as the only member of the firm, or framed the contract so as to bind himself separately from his co-partners as well as jointly with them.

Q. 3.—A Lessee who has mortgaged leasehold property by sub-demise becomes Bankrupt, and the Trustee in his Bankruptcy obtains leave to disclaim the lease. What course should you advise the mortgagee to adopt for the protection of his interests?

A. 3.—The mortgagee should apply to the Court under Section 55, subsection (5) of the Bankruptcy Act, 1883, and Section 13 of the Bankruptcy Act, 1890, for a vesting order—vesting the property in him subject only to the same liabilities and obligations as if the lease had been assigned to him at the date when the bankruptcy petition was filed.

Q. 4.—Subject to what limitations can a married woman be made Bankrupt?

A. 4.—A married woman may, by virtue of Section 1 (5) of the Married Women's Property Act, 1882, be made a bankrupt if she carries on a business separately from her husband, as she always could where she was a sole trader within the City of London; but she cannot be served with a bankruptcy notice, because the form of that notice involves a *personal* liability; whereas the liability of a married woman is limited to her separate property (*Scott v. Morley*, 20 Q.B.D. 120). A personal order, however, it should be added, may be made against a married woman to pay into Court a sum of money in her hands as administratrix of a deceased person, and for disobedience to that order she may be attached (*In re Turnbull*, 1900, 69 L.J., Ch. 187).

It has been held that a married woman may be made bankrupt for debt where her husband is a convict; and the same result apparently might follow where she is judicially separated from, or has obtained a protection order against, him.

Q. 5.—What directions is it open to the Court to give for the protection of a debtor's estate if after presentation of a Bankruptcy Petition, and before a Receiving Order is made, the estate is proved to be in jeopardy?

A. 5.—The Court may appoint the Official Receiver to be interim receiver of the property of the debtor, or any part of it, and may direct him to take immediate possession (Bankruptcy Act, 1883, Section 10 (1)). It may also stay any proceedings against the debtor's property (*ib.* Section 10 (2)).

Q. 6.—Who are the different persons responsible under the Directors Liability Act, 1890, for an untrue statement in a Prospectus?

A. 6.—(i.) Directors at the time of the issue of the prospectus; (ii.) every person who has authorised his being named in the prospectus as a director, or as having agreed to become, either immediately or after an interval of time, a director; (iii.) every promoter of the company; (iv.) every person who has authorised the issue of the prospectus (Act of 1890, Section 3 (1)).

Q. 7.—Define shortly the following expressions: "B. List of Contributories," "Cumulative Preference Shares," "Extraordinary Resolution," and "Floating Charge."

A. 7.—The "B List of Contributories" is the list of past members of a company who have ceased to be members within a year before the commencement of the winding-up (see Companies Act, 1862, Section 38 (1)).

Where the arrears of dividend constitute an accumulating debt due by the ordinary to the preference shareholders, the shares of the preference shareholders are said to be "cumulative."

An "extraordinary resolution" (see Companies Act, 1862, Section 129) is a resolution which is passed in such a manner as would, if it had been confirmed by a subsequent meeting, have constituted a special resolution as defined by Section 51 of the Act of 1862—viz., one passed by the statutory majority (three-fourths) at one general meeting, and confirmed, after an interval of not less than fourteen days, nor more than a month, by the statutory majority at a second.

A "floating charge" is an equitable charge on the assets for the time being of a company which is a going concern. The charge attaches on the appointment of a receiver or on winding-up. Meanwhile, the company remains in possession of its property, and may mortgage, sell, or otherwise deal with any specific portion of it in the ordinary course of business. Such charges now require to be registered under the Companies Act, 1900, Section 14 (1) (*d*).

Q. 8.—In what cases do the Directors of a Company render themselves liable personally (*a*) to the Company, and (*b*) to the outside world, in connection with their management of the Company's affairs?

A. 8.—(*a*) The personal liability of directors *to the company as its agents* in connection with their management of its' affairs is governed by the ordinary law of principal and agent. Directors are also *trustees* for the shareholders of the powers committed to them—*e.g.*, of allotting shares or of approving transfers or making calls—and may be made liable individually for a misuse of these powers. Their liability under this head is governed by principles akin to those that determine the liabilities of trustees. The special statutory provisions of the Directors Liability Act, 1890, and the new Companies Act, 1900, must also be kept in view.

(b) The personal liability of directors as regards the outside world and creditors is governed by the law of principal and agent, and particularly by the law as to "holding out."

Q. 9.—A Company is in process of Voluntary Liquidation. What conditions must be satisfied in order that a creditor and contributory may respectively obtain an order for the compulsory winding-up of the company?

A. 9.—(a) A creditor may obtain a compulsory order if the Court is satisfied that his rights will be prejudiced by a voluntary winding-up (Companies Act, 1862, Section 145), as *e.g.*, where there are transactions requiring investigation, or where it is doubtful whether the property of the shareholders will answer the liabilities (and see *In re Bishop & Sons, Lim.*, 1900, 69 L.J., Ch. 518).

(b) A compulsory order will not be made on a contributory's petition unless either (i.) a case of fraud in passing the voluntary resolution is made out—*e.g.*, that it was carried by the vote of a majority implicated in transactions needing investigation; or (ii.) the petition is supported by creditors.

Q. 10.—What constitutes such inability to pay debts as to fall within the Companies Act, 1862, as a ground upon which a Company may be wound up by the Court?

A. 10.—A company is to be deemed unable to pay its debts whenever a creditor for £50 has served a demand for payment and the company has neglected for three weeks (see *In re Catholic Publishing Company*, 2 De G., J. & S., 116) to pay or compound the debt; or when execution obtained by any creditor against the company is returned unsatisfied in whole or in part; or "whenever it is proved to the satisfaction of the Court that the company is unable to pay its debts" (Companies Act, 1862, Section 80). The debt must be due, and the omission to pay, if reasonable, is not "neglect."

MERCANTILE LAW, AND THE LAW OF ARBITRATION AND AWARDS.

Q. 1.—State the various ways in which a bill of exchange may be discharged.

A. 1.—(i.) On payment, by or on behalf of the drawee or acceptor at or after maturity, to the holder of the bill in good faith and without notice that his title is defective (Bills of Exchange Act, 1882, Section 59).

(ii.) When the acceptor of a bill is or becomes the holder of it at or after maturity in his own right (*ib.*, Section 61).

(iii.) By waiver or renunciation by the holder at or after maturity in writing, or by delivery up of the bill to the acceptor or his representatives (Section 62).

(iv.) By intentional and apparent cancellation of the bill by the holder or his agent (see Section 63).

(v.) By material alteration (see Section 64).

Q. 2.—How do possessory liens arise? What are the rights of a person possessing such a lien?

A. 2.—A possessory lien arises either at common law—*e.g.*, the general common law lien of an innkeeper on the goods and chattels brought to his inn by a guest, for what is due for the guest's lodging and keep—or by agreement express or implied. Factors, bankers, and certain other classes have such a lien by implication from custom. A possessory lien is a mere personal right to retain possession, and there is no right of sale incident to it unless created by statute, as by the Merchant Shipping Act, 1894, Sections 494-498; or the Innkeepers' Act, 1878.

A possessory lien is, as a general rule, except as regards inn-keepers and common carriers, or where otherwise provided by statute (*e.g.*, Sale of Goods Act, 1893, Section 25) effective only against the person liable to pay the debt or discharge the obligation, and is confined to his rights in the goods, &c., at the time when the lien attaches. A possessory lien is extinguished by tender of the amount due and may be lost by waiver express or implied.

Q. 3.—In what cases will a purchaser of goods from a seller

- (1) Who is not the owner of them
- (2) Who has only a voidable title to them

himself get a good title?

A. 3.—(1) (*a*) Where the owner of the goods is, by his conduct, precluded from denying the seller's authority to sell.

(*b*) Where the seller is "apparent owner," within the meaning of the Factors Acts.

(*c*) In cases of sale under special common law or statutory powers of sale, or under the order of a Court of competent jurisdiction.

(*d*) In cases of sales in market overt, where the buyer acts in good faith and without notice that the seller's title is defective.

(2) Provided he buys them in good faith and without knowledge of the seller's defect of title.

Q. 4.—State the various ways in which an agent's authority may be determined.

A. 4.—(i.) By the expiration of the period for which the authority was given.

(ii.) By the loss or destruction of the subject-matter of the agency.

(iii.) By performance of the contract.

(iv.) By the occurrence of events making the continuance of the agency unlawful.

(v.) By the death, lunacy, or, in certain cases, the bankruptcy of principal or agent.

(vi.) By revocation by the principal, unless the authority is irrevocable, or renunciation by the agent.

Q. 5.—To what extent can a majority of the partners in a firm control a minority? Illustrate your answer by examples.

A. 5.—(a) Differences as to ordinary matters—*e.g.*, the manner in which the business is to be conducted, or to what extent a single partner can bind the firm—may be decided by a majority of the partners; but (b) no change in the nature of the partnership business—*e.g.*, an extension of its scope to entirely new purposes, or a renewal of an expired lease of the partnership works—without the consent of all (Partnership Act, 1890, Section 24, (8)).

(c) A partner cannot be expelled by a majority unless in virtue of express agreement in the constitution of the firm (Section 25).

(d) Neither can a majority sell the shares of a dissentient minority.

Q. 6.—A. threatens to sue X. for £20, alleging that it is the balance of £120 still owing from X. to A. X. replies that A. had previously threatened to sue him for the £120, but had after some negotiation agreed to accept £100, which X. had paid him. Under what circumstances (if any) has X. any defence to an action brought by A. to recover the £20?

A. 6.—X. can only defend successfully such an action brought by A. if the agreement referred to was supported by some consideration other than the payment of the lesser sum—*e.g.*, if the payment of the £100 was made by cheque and accepted by A. in discharge, or if X. had withdrawn a plea of infancy in consideration of the acceptance of the lesser sum.

Q. 7.—To what extent can a surety claim contribution from his co-sureties?

A. 7.—The surety has a right to proportionate contribution from his co-sureties according to the measure of their liability. The right exists, unless the contrary has been stipulated, where the sureties are bound jointly, severally, or jointly and/or severally, wholly under the same or under different instruments.

Q. 8.—What do you understand by a conditional award, and how far (if at all) is such an award valid?

A. 8.—An award is conditional when it imposes conditions on one or other, or both, of the parties, the fulfilment of which affects its operative character. A conditional award is invalid if the award is to be totally void on the happening of a certain event, because, in that case, it lacks finality. But a conditional award may be good if the condition is merely a direction—*e.g.*, that A. should do an act on B.'s premises if B. consented—or if it is in the power of the party to whom the condition relates to make the award absolute by complying with the condition.

Q. 9.—If one of the parties to an arbitration refuses to appear before the arbitrator, what courses are open to the arbitrator to adopt?

A. 9.—The arbitrator may give notice, in writing, to the defaulting party that it is his intention to proceed *ex parte* at a specified time and place, and may so proceed if such party refuses or fails to attend. Peremptory notice of a similar character should be given for each subsequent *ex parte* sitting.

Q. 10.—What misconduct on the part of an arbitrator will affect the validity of the award?

A. 10.—(i.) Corruption or partiality.

(ii.) Secret interest in the subject referred.

(iii.) Legal misconduct—*e.g.*, improper (a) refusal of time to instruct counsel, (b) refusal to state a case or to hear a case, or consider a matter in difference, (c) proceeding *ex parte*.

The
Institute of Chartered Accountants
in England and Wales.

List of Successful Candidates

at the **EXAMINATIONS** held in **DECEMBER 1900.**

PRELIMINARY EXAMINATION.

(Candidates who obtained a certain number of marks, in Order of Merit)

Name	Where educated
THOMPSON, G. S., Redhill (Prize)	Tonbridge School
BEARD, A., Macclesfield	King Edward VI. Grammar School, Macclesfield
DAVIS, H. Mc F., Leyton	Private Tuition
GARDNER, F. C. S., London	St. Kenelm's College, Cowley, Oxford
NASH, F. J., Bath	Prior Park College, Bath
SEED, T., Preston	Preston Grammar School
CAVE, A. E., Manchester	St. Margaret's Higher Grade School, Whalley Range
BEEBY, C. R., Birmingham	Private Tuition
BRENT, J. B., Redhill	Private Tuition
PARKER, E., Manchester	The Leys School, Cambridge
SWAN, J. G., Gateshead-on-Tyne	Private Tuition
RAMSDEN, W. D., York	St. Olave's School, York
MERRETT, H. C., London	Mercers' School
SWAYNE, H. A. H., Southampton	Rugby School
JOHNSON, J. H., Kidderminster	King Charles I. School, Kidderminster

(In alphabetical order)

AIRS, A. L., Northampton	Private Tuition
ARCHIBALD, D., New Malden, Surrey	King's College, Wimbledon
ASH, G. H., Finchley	Grammar School, Shoreham
BAILEY, S. A., Moseley, Birmingham	Private Tuition
BAXTER, A. J., Bedford	Private Tuition
BEER, W. J., London	Private Tuition
BELL, W. S. Leicester	Private Tuition
BOSWELL, B. E. T., Bedford	Private Tuition
BOYD, W. R., Manchester	Private Tuition
BROADHEAD, E. G., Goole	Grammar School, Prax, near Selby
BRUCE, C. E., London	Cranleigh School
BULL, F. D., London	St. Dunstan's College, Catford
BURKINSHAW, J. G., Hessle, near Hull	Merchant Taylors' School, London

PRELIMINARY EXAMINATION—continued.

(In alphabetical order)

Name	Where educated
CHAMBERS, E. A., Manchester	Private Tuition
CLOUTTE, H. J., London	Holmwood, Bexhill
COPPLE, W. V., Prescot, Lancs.	St. Francis Xavier's School, Liverpool
CROOK, T. W., Heaton Chapel, Stockport	Shebbear College, N. Devon
DADLEY, M. G., Northampton	Queen Elizabeth's Grammar School, Leicester
DAY, A. F., East Dulwich	Private Tuition
DOWNING, G. A., Oxford	Ashville College, Harrogate
DUFFIELD, E., Leeds	Private Tuition
EDWARDS, V., Wolverhampton	Private Tuition
FIELDING, A. E. B., Goole	Higher Grade School, Goole
FITTER, W. H., Barnt Green, Worcestershire	Private Tuition
FORD, A. E., Stoke-on-Trent	Private Tuition
FOSTER, N. B., London	Oakfield School, Crouch End, N.
FREAME-BAKER, R., London	Private Tuition
GARNSEY, G. F., Wellington, Somerset	West Somerset County School, Wellington
GIBBONS, C. C., Stoke-on-Trent	Newcastle High School, Staffs.
GILLESPIE, H. R., Nottingham	Private Tuition
HARGREAVES, W., Ilkley	Private Tuition
HAUGHTON, W. K., Bolton	Bolton Grammar School
HAYTHORNTHWAITHE, C. W., Blackburn	Northern Congregational School, Silcotes, Wakefield
HILLYER, S. G., Catford, London	St. Dunstan's College, Catford
HOLLAND, T. W., Bexley, Kent	Private Tuition
HOOLE, W., Wetherby, Yorks.	Trent College, Long Eaton
HOOPER, R., Manningham, Bradford	Private Tuition
JACKSON, J. H., Barton, near Preston	Private Tuition
JENKINS, D. B., Perry Barr, near Birmingham	King Edward's High School, Birmingham
JONES, T. S., London	Dean Close Memorial School, Cheltenham
KIMMINS, P. A., Stroud	Wycliffe School, Stonehouse
KING, W. F., London	Private Tuition
KIRKHAM, F., Bolton	Bolton Grammar School
LAMBIRTH, P. G., London	Private Tuition
LOCKING, H. W., Cottingham, near Hull	Hull Grammar School
LORD, C. R., Pendleton	Eccles Grammar School
LUMSDEN, S., London	Private Tuition
MCDONALD, R., Whitchurch, near Cardiff	Brighton House School, Bristol
MACINTYRE, G. D., Jesmond-on-Tyne	Private Tuition
MERRYWEATHER, J. W., Sheffield	Sheffield Royal Grammar School
MILLWARD, H. N., West Bromwich	Queen's College, Taunton
MILLWARD, R. T., Abergele, N. Wales	Quernmore School, Bromley, Kent
MONEY, R. H., Weybridge, Surrey	Private Tuition

PRELIMINARY EXAMINATION—continued.

(In alphabetical order)

Name	Where educated
NEVILLE, A. J., Birmingham	Birmingham Municipal Technical Day School
PANTON, W. F., Birmingham	Dover College
PAYTON, H. G., Leeds	Private Tuition
PLATT, N., Bury, Lancs.	Private Tuition
PLUMMER, W. P., Birkenhead	Rossall School, Fleetwood
PORTER, T., London	Private Tuition
RIGBY, P. H., Bolton	Manchester Grammar School
ROZELAAR, A., London	Private Tuition
SANDY, H. V., Burnley, Lancs.	Mount St. Mary's College, Chesterfield
SIBBALD, J. M., Derby	Private Tuition
SMALLEY, G. A., Anerley	Private Tuition
SMITH, C. E., Sydenham	Dulwich College
SMITH, F. E., Manchester	Private Tuition
TERRAS, H., Bowdon, Cheshire	Private Tuition
THOMPSON, I. P., Harrogate	Knaresborough Grammar School
VELLACOTT, A. L., Pinner, Middlesex	Marlborough College
WEBSTER, W. D., London	Bowden College, Cheshire
WEIGHILL, H., Goathland, Yorks.	Private Tuition
WILLIAMS, W. H., Leighton Buzzard	Beechcroft High School, Leighton Buzzard
WOMERSLEY, J. W., Manchester	Mill Hill School
WOOD, J. P., Halifax	Private Tuition

32 Candidates failed to satisfy the Committee.**INTERMEDIATE EXAMINATION.**

(Candidates who obtained a certain number of marks, in Order of Merit)

CHAPMAN, R. (H. Chapman), South Shields
 LEWIS, V. H. (W. W. Wright), London
 CARTER, G. P. (S. G. Cole), London
 EMMERSON, W. (R. M. Burgess), Leeds
 WRIGHT, E. C. (H. Wingfield), London
 WRIGHT, G. M. (C. H. Bull), London
 CANTER, A. (G. Wingfield), London
 MACGREGOR, W. R. (J. M. Wade), Liverpool
 MOUNTJOY, J. P. (J. E. Gunn), Cardiff
 KENYON, H. M. (T. Blane), Blackpool

(In alphabetical order)

ARMSTRONG, H. K. (W. A. Smith), London
 ATTENBOROUGH, G. H. (F. H. Kingham), London
 BAKER, S. H. (E. R. Watson), London
 BANNISTER, G. J. (J. Lewis), Birmingham
 BARNETT, E. E. (J. A. Scott), London
 BAYLEY, H. (B. Collier), Manchester
 BEADLES, H. A. (F. H. Sully), London

INTERMEDIATE EXAMINATION—*continued.*

(In alphabetical order)

BELL, D. (W. Mickelwright), London
 BENTLEY, H. C., B.A. (J. G. Fowler), London
 BOSTOCK, G. (C. E. Martineau), Birmingham
 BOUGHTON, R. A. (F. Barnes), London
 BREWSTER, C. J. (J. Fabian), London
 BROWN, H. R. (H. A. Plumb), London
 BRUFORD, J. C. (A. Goodman), Taunton
 BRYMER, E. G. (W. Plender), London
 BUCKLEY, H. A. (W. B. Farnell), Manchester
 BUTLER, J. (D. Owen), Devizes
 CHARLESWORTH, J. R. (W. Chaloner), Stockport
 CHATER, B. (J. Chater), Cambridge
 CHIPCHASE, C. (A. I'Anson), Middlesbrough
 COLLETT, B. (H. J. Gully), London
 COND, T. W. (J. Chapman), Birmingham
 COOKE, G. A. A. (A. H. Hampson), Leicester
 CORBRIDGE, W. G. (C. Corbridge), London
 CRABTREE, B. T. (C. Crabtree), Hebdon Bridge
 CROWTHER, W. F. (H. Kidson), Manchester
 DICKINSON, E. (J. T. Hall), Darlington
 DUTTON, W. (S. Greenhalgh), Bolton
 EVANS, W. H. (C. E. Dovey), Cardiff
 EVERETT, R. M. (F. J. Searle), London
 FORD, S. E. (Francis W. Pixley), London
 FOWLER, P. R. (H. Möller), Manchester
 FRYER, A. S. (H. E. Grace), Bristol
 GALLOWAY, D. R. (J. E. Ward), London
 GOODRICH, R. C. J. (F. Belcher), London
 GOULD, G. R. (H. P. Gould), Norwich
 GREEN, R. (G. T. W. Coleman), Birmingham
 GUY, J. H. (N. Tapp), London
 HALL, P. L. L. (C. H. Spencer), Leicester
 HANSCOMB, A. J. (J. Fletcher), London
 HEATON, J. A., Junr. (C. J. March), London
 HELLYER, E. P. (A. L. Hellyer), Bristol
 HELMORE, E. A. (G. R. Helmore), London
 HIGGISON, F. W. (N. G. Harries), Walsall
 HOLLOWS, R., Junr. (N. Yates), Bolton
 HORSFIELD, E. (A. S. Brewis), Manchester
 JACKSON, J. C. (H. G. Blackburn), Leeds
 JACOMB, W. H. (W. G. Jefferys), London
 JAMIESON, T. I. D. (G. Nicholson), Liverpool
 JOHNSON, P. H. (R. Whitehill), Birmingham
 JORDAN, J. E. (A. E. M. Long), Birmingham
 KIDSON, L. D. (S. Taylor), Manchester
 KITSON, H. (A. I'Anson), Middlesbrough
 LEATHART, J. G. (R. W. Sisson), Newcastle-on-Tyne
 LUMB, L. (R. F. Miller), Barrow-in-Furness

INTERMEDIATE EXAMINATION—*continued.*

(In alphabetical order)

McDOUGALL, G. (D. Smith), Manchester
McNAUGHT, T. P. (C. H. Weatherley), London
MATTHEWS, F. N. (H. E. Barham), London
MATTHEWS, O. J. (P. M. Evans), London
MAWDSLEY, E., Junr. (A. H. Holmes), Wigan
MAY, W. N. (F. E. Foster), Sheffield
MEDLAND, J. W. (T. J. Agar), London
MOORHOUSE, H. D. (C. Cooper), Manchester
MORRIS, H. M. (D. F. Basden), London
MOSSOP, H. (J. L. McIlraith), Manchester
MUNDELL, K. H. (J. M. Woodman), London
NEWTON, J. T. (J. G. Benson), Newcastle-on-Tyne
OWENS, E. E. (F. J. Warmsley), Chester
PALMER, H. C. (F. B. Wilson), London
PAYNE, W. R. (G. F. Payne), Stroud
PEMBRIDGE, S. (J. G. Craggs), London
PENN, A. N. (H. Tingle), London
PIKE, B. G. (A. W. Payne), London
POCOCK, S. E. (E. C. Nicholls), London
POWELL, W. H. (F. J. Beckett), Chester
REES, R. W. J. (E. W. Gundry), London
ROBBINS, A. S. (W. W. Fitcher), London
ROGERS, H. T. (G. Bowler), Liverpool
SCHOLEFIELD, J. B. (W. Blease), Liverpool
SHEPHERD, M. P. (H. Lakin-Smith), Birmingham
SHERIDAN, C. J. (T. Turketine), London
SHOWELL, J. F. (J. W. Barratt), Birmingham
SILCOCK, B. (W. Whinnerah), Liverpool
STEDMAN, L. (J. W. Innes), London
TATTERSALL, J. K. (A. Hilton), Bolton
THOMASON, T. B. (A. H. Pownall), Manchester
THOMS, A. E. (T. S. Fogg), Liverpool
THORNTON, F. H. (Wm. Denton), Liverpool
TIMINGS, P. B. (T. O. Williams), Birmingham
TUCKER, A. H. (J. D. A. Norris), London
VINTER, R. A. (W. M. Gray), Bradford
WELLS, T. G. R. (F. G. Painter), London
WHITEHEAD, R. (A. A. Moore), London
WHITEHEAD, S. (H. Davies), Preston
WHITELEY, T. (R. Peters), Cambridge
WICKHAM, H. T. (F. S. Lucey), London
WIGFIELD, A. E. (R. P. Winter), Newcastle-on-Tyne
WILSON, H. M. (A. E. Turberville), London
WING, W. D. (W. Wing), Sheffield
YATES, W. H. (A. E. Warburton), Leicester

53 Candidates failed to satisfy the Committee.

FINAL EXAMINATION.

(Prize and Certificate of Merit)

JOLLIFFE, C. G. (C. E. Parsons), Newport, Mon.

(Certificates in Order of Merit)

WHITE, A. (T. Smethurst), Manchester
 BEARD, H. E. P. (W. Wing), Sheffield
 DUNCALF, E. A. (F. W. Dawe), Plymouth
 BROWNE, E. A. (S. P. Derbyshire), Nottingham
 RAWLINSON, W. R. (J. Todd), Preston
 BEE, H. P. (T. Bee), Preston
 JEPSON, J. H. (T. Hindle), Darwen
 WILSON, D. C. (W. A. Browne), London
 WOOD, A. (W. Appleby), Manchester
 BULLOCK, R. T. S. (L. H. Elkington), Birmingham
 HOPKINS, G. P. (J. Dix Lewis), London
 THOMSON, G. H. (L. Broderick), Manchester
 GRIFFITHS, N. M. (F. J. Young), London

(In alphabetical order)

ANDERSON, S. J. (E. R. Frere), London
 BARHAM, C. H. (H. E. Barham), London
 BARNSDALE, A. (T. E. Goodyear), London
 BEECH, D. (A. E. Mason), Dudley
 BENNETT, P. H. (A. Bennett), Warrington
 BENSON, C. T. (J. G. Benson), Newcastle-on-Tyne
 BUCKLE, F. W. (G. W. L. Thompson), Birmingham
 BUNCH, J. T. (L. T. Smith), Wolverhampton
 CADDICK, F. A. (E. M. Sharp), Birmingham
 CASEY, A. B. (T. H. Casey), Portsea
 CHARNOCK, H. (S. Mosley, *deceased*), Manchester
 CHISWELL, R. M. (S. Pearson), Manchester
 COBB, E. (W. R. Parkinson), Liverpool
 COLLINS, A. (B. T. Norton), London
 DARBYSHIRE, P. H. (H. W. Tash), Middlesbrough
 DAVIES, D. A. (J. V. Yonge), London
 DAVIS, W. J. (G. T. W. Coleman), Birmingham
 DAY, W. G. (H. Day), Worcester
 DICKINSON, W. S. (T. Howard), Bradford
 DUNKLEY, H. G. (T. S. Jones), London
 DUNMAN, C. C. (P. F. Ward), Newcastle-on-Tyne
 FIDGEON, H. C. (W. B. Peat), London
 FINLAISON, F. H. (B. W. Hardcastle), London
 FOLKES, P. D. (T. D. Neal), Birmingham
 FORD, J. S. (C. J. Angus), London
 FOSTER, L. F. (C. F. B. Flint), Birmingham
 GARDINER, A. C. (E. J. Gardiner), London
 GARDNER, J. C. (D. L. Chalmers), Liverpool
 GILL, E. B. (G. G. Poppleton), Birmingham
 GILLIES, J. M. (J. E. Wilson), London

FINAL EXAMINATION - continued.

(In alphabetical order)

HAINES, C. W. (W. Bentley), Birmingham
HARGRAVES, W. H. (G. H. Turner), Wigan
HARRISON, B. (R. M. Coutts), Manchester
HAVILAND, R. H. (C. C. Baker), London
HIGHFIELD, G. L. J. (W. Whinnerah), Liverpool
HIPSLEY, E. S. (A. J. Cudworth), Birmingham
HOBBINS, H. C. (J. Mather), Manchester
HOUSEMAN, L. V. (W. F. Marreco), London
HOVEY, C. H. (T. E. Shuttleworth), Sheffield
HUGILL, H. B. (A. S. Hicks), London
HULME, S. (G. Nicholson), Liverpool
HUTCHINSON, J. (J. J. Saint), Carlisle

INGRAM, E. H. (J. M. Henderson), London

JAMES, C. L. (F. H. Mackintosh), Birmingham

LEICESTER, M., Junr. (R. H. Marsh), London
LOWERY, R. S. (W. Franks), Whitehaven

MACKIE, D. L. (C. E. Bradley), Scarborough
MANSON, H. W. (W. P. Burkinshaw), Hull
MEGGISON, F. (W. Chaloner), Stockport
MERZ, N. (W. Swan), Newcastle-on-Tyne
MOULTON, P. A. (J. W. Barber), Sheffield
MURIEL, G. H. (W. Franks), Whitehaven

NEWSUM, H. D. (E. Newsum), Doncaster
NORTON, B. K. (H. Möller), Manchester

PARKER, A. S. (L. H. Lemon), London
PARKINSON, W. (A. J. Hill), London
PHILLIPS, Acton (R. Ormond), Newcastle-on-Tyne
PRICE, W. (W. F. Mapleston), London
PRIOR, C. (E. Hayes), London

RIXON, A. C. (J. Worley), London
ROBERTS, D. A. (W. C. Grant-Smith), Wolverhampton
ROBSON, R. (T. G. Bowden), Newcastle-on-Tyne
ROE, A. E. (H. E. Hubbart), Nottingham
ROWLAND, F. (W. H. Price), Cardiff

SELBY, A. P. (R. F. Miller), Newcastle-on-Tyne
SMITH, A. N., B.A. (H. Grierson), London
SMITH, H. P. (F. W. Smith), London

TYNDALL, E. W. (T. J. Agar), Birmingham

VALE, T. H. (W. S. Aston), Birmingham
VINEY, E. W. (J. H. Rogers), Birmingham

WARLOW, E. W. (J. R. Prichard), Liverpool
WARMINGTON, G. H. (L. B. Warmington), London
WATSON, T. (R. Watson), Burnley

FINAL EXAMINATION—*continued.*

(In alphabetical order)

WATSON, V. J. (A. T. Watson), Sheffield
WEATHERLEY, C. F. (C. P. Maw), London
WEATHERLEY, L. H. (Ernest Cooper), London
WEST, W. J. (A. Durose), Nottingham
WHITAKER, A. D. (H. F. Hartman), Bradford
WHITE, P. B. (E. D. White), Liverpool
WINDER, W. (W. W. Futchler), London
WOODTHORPE, J. B. (P. Bevan), London

46 Candidates failed to satisfy the Committee.

The
Institute of Chartered Accountants
in England and Wales.

PART II. Vol. VIII. of the

ACCOUNTANTS' MANUAL

BEING

THE QUESTIONS

set at the Preliminary, Intermediate & Final
Examinations for June 1901,
with the ANSWERS thereto.

*The Answers to the Questions set at the Preliminary Examination are by Messrs.
Streater & Streeter, of The Rectory, Orcheston St. Mary, S.O., Wilts., and
Hampton House, Phoenix Street, Lonaon, N.W.*

PRELIMINARY EXAMINATION, JUNE 1901.

The ANSWERS to the QUESTIONS set at the Preliminary Examination are by Messrs. STREETER & STREETER, of the Rectory, Orcheston St. Mary, S.O., Wilts., and Hampden House, Phoenix Street, London, N.W.

ALGEBRA.

Q. 1.—Find the Least Common Multiple of

$$ax^3 - xa^3, \quad a^6 - x^6, \quad a^4 - 2a^2x^2 + x^4.$$

$$\begin{aligned} \text{A. 1.—} \quad ax^3 - xa^3 &= ax(x+a)(x-a) = -ax(a+x)(a-x) \\ a^6 - x^6 &= (a-x)(a+x)(a^2-ax+x^2)(a^2+ax+x^2) \\ a^4 - 2a^2x^2 + x^4 &= (a-x)^2(a+x)^2 \end{aligned}$$

$$\text{Whence L.C.M.} = -ax(a-x)^2(a+x)^2(a^2-ax+x^2)(a^2+ax+x^2)$$

Q. 2.—Find the Square Root of

$$x^4 - x^3 + \frac{x^2}{4} + 4x - 2 + \frac{4}{x^2}.$$

$$\text{A. 2.—} \quad x^4 - x^3 + \frac{x^2}{4} + 4x - 2 + \frac{4}{x^2} \quad \Bigg| \quad x^2 - \frac{x}{2} + \frac{2}{x}$$

$$\begin{array}{r} 2x^2 - \frac{x}{2} \Bigg| \begin{array}{l} -x^3 + \frac{x^2}{4} \\ -x^3 + \frac{x^2}{4} \end{array} \end{array}$$

$$\begin{array}{r} 2x^2 - x + \frac{2}{x} \Bigg| \begin{array}{l} 4x - 2 + \frac{4}{x^2} \\ 4x - 2 + \frac{4}{x^2} \end{array} \end{array}$$

$$\text{Ans.} = x^2 - \frac{x}{2} + \frac{2}{x}$$

Q. 3.—Simplify—(i.) $a^2 - b^2 - c^2 + 2bc \div \frac{a+b-c}{a+b+c}$;

$$\text{(ii.) } 1 \div \left(x + \frac{1}{1 + \frac{x+1}{3-x}} \right).$$

A. 3.—

$$\begin{aligned}
 \text{(i.) } a^2 - b^2 - c^2 + 2bc &\div \frac{a+b-c}{a+b+c} \\
 &= \frac{\{a^2 - (b-c)^2\}}{a+b-c} \times \frac{\{a+b+c\}}{a+b+c} \\
 &= \frac{(a+b-c)(a-b+c)(a+b+c)}{a+b-c} \\
 &= \{(a+c)-b\} \{(a+c)+b\} \\
 &= (a+c)^2 - b^2 \\
 &= a^2 - b^2 + c^2 + 2ac \quad \text{ANS.}
 \end{aligned}$$

$$\begin{aligned}
 \text{(ii.) } 1 \div \left(x + \frac{1}{1 + \frac{x+1}{3-x}} \right) \\
 &= 1 \div \left(x + \frac{3-x}{4} \right) \\
 &= 1 \div \frac{3x+3}{4} \\
 &= \frac{4}{3(x+1)} \quad \text{ANS.}
 \end{aligned}$$

Q. 4.—Find x and y from the equations

$$ax + by = c, \quad lx + my = n.$$

How do you interpret the results if $ma = bl$?

A. 4.—

$$\begin{array}{ll}
 ax + by = c & \text{(i.)} \\
 lx + my = n & \text{(ii.)} \\
 \times \text{ (i.) by } l & lax + lby = lc \\
 \times \text{ (ii.) by } a & lax + may = na \\
 \text{subtract} & y(lb - ma) = lc - na \\
 \therefore & y = \frac{lc - na}{lb - ma} \\
 \therefore \text{ from (i.)} & ax + \frac{b(lc - na)}{lb - ma} = c \\
 \text{or} & ax = c - \frac{b(lc - na)}{lb - ma} \\
 & = \frac{b(lc - na) - b(lc - na)}{lb - ma} \\
 & = \frac{b(lc - na) - b(lc - na)}{lb - ma} \\
 \therefore & x = \frac{bn - mc}{lb - ma}
 \end{array}$$

$$\text{ANS. } \left\{ \begin{array}{l} x = \frac{bn - mc}{lb - ma} \\ y = \frac{lc - na}{lb - ma} \end{array} \right.$$

If $ma = bl$ then $x = \frac{bn - mc}{0}$ and $y = \frac{lc - na}{0}$
 i.e., x and y both become equal to infinity.

Q. 5.—A person, after paying a poor rate and also the income tax of 1s. in the £, has £468 left. The amount of the poor rate is £18 more than that of the income tax. What is the income assessed, and how much in the £ is the poor rate ?

$$\begin{array}{lll}
 \text{A. 5.—} & \text{Let } I\text{£} & = \text{total amount of income} \\
 & \text{and } r & = \text{shillings per £ in poor rate} \\
 & \text{then } Ir \text{ shillings} & = \text{amount of poor rate} \\
 & \text{and } I \text{ shillings} & = \text{amount of income tax} \\
 \text{Whence } 20I - I - Ir & = 468 \times 20 \\
 \text{i.e. } (19 - r) I & = 468 \times 20 & \text{(i.)} \\
 \text{and } Ir - I & = 18 \times 20 \\
 \text{i.e. } (r - 1) I & = 18 \times 20 & \text{(ii.)} \\
 \div \text{(i.) by (ii.) then } \frac{19 - r}{r - 1} & = \frac{460}{18} = 26 \\
 \text{Whence } 19 - r & = 26r - 26 \\
 \therefore 27r & = 45 \\
 \text{or } r & = \frac{5}{3} \\
 \text{again from (ii.) } (\frac{5}{3} - 1) I & = 18 \times 20 \\
 \therefore I & = \frac{18 \times 20 \times 3}{2} = \text{£540} \quad \text{Ans.} \\
 \text{i.e., amount of income tax} & = 540 \text{ shillings} = \text{£27} \\
 \text{and poor rate} & = \text{1s. 8d. per £} \quad \text{Ans.}
 \end{array}$$

Q. 6.—If the sum of the digits in the product of two numbers be divided by 9, the remainder is the same as that obtained by dividing by 9 the product of the remainders of the sum of the digits of each of the numbers divided by 9.

Take two numbers each with four digits and verify this.

$$\begin{array}{lll}
 \text{A. 6.—} & \text{Take 2459 and 3768} & \\
 & \text{product} & = 9265512 \\
 & \text{sum of these digits} & = 30 \\
 & \text{divided by 9} & = 3 \text{ with remainder } 3 \\
 & \text{sum of digits 2459} & = 20 \\
 & \text{divided by 9} & = 2 \text{ with remainder } 2 \\
 & \text{sum of digits 3768} & = 24 \\
 & \text{divided by 9} & = 2 \text{ with remainder } 6 \\
 \text{product of the two latter remainders} & = 12 \\
 & \text{divided by 9} & = 1 \text{ with remainder } 3
 \end{array}$$

which is the same as the first remainder obtained.

This is the method of verification of a long multiplication called

“Casting out the Nines.”

Q. 7.—Solve the equations :—

$$(i.) \frac{2x-3}{3x-5} + \frac{3x-5}{2x-3} = 2\frac{1}{2};$$

$$(ii.) x^2 - 24 + \sqrt{x^2 - 7x + 18} = 7x;$$

$$(iii.) \begin{cases} x^2 - xy + y^2 = 7, \\ x^4 + x^2y^2 + y^4 = 133. \end{cases}$$

A. 7.— (i.) $\frac{2x-3}{3x-5} + \frac{3x-5}{2x-3} = 2\frac{1}{2}$

multiplying up $2 \left\{ (2x-3)^2 + (3x-5)^2 \right\} = 5 \left\{ (3x-5)(2x-3) \right\}$
 or $2 \left\{ 4x^2 - 12x + 9 + 9x^2 - 30x + 25 \right\} = 5 \left\{ 6x^2 - 19x + 15 \right\}$
 i.e. $26x^2 - 84x + 68 = 30x^2 - 95x + 75$

simplifying $4x^2 - 11x + 7 = 0$

factorizing $(x-1)(4x-7) = 0$

whence $x = 1$ or $\frac{7}{4}$ Ans.

(ii.) $x^2 - 24 + \sqrt{x^2 - 7x + 18} = 7x$

re-arranging $(x^2 - 7x + 18) + \sqrt{x^2 - 7x + 18} - 42 = 0$

factorizing $\left\{ \sqrt{x^2 - 7x + 18} + 7 \right\} \left\{ \sqrt{x^2 - 7x + 18} - 6 \right\} = 0$

$\therefore \sqrt{x^2 - 7x + 18} = 6 \text{ or } -7$

squaring $x^2 - 7x + 18 = 36 \text{ or } 49^*$

and we have $x^2 - 7x + 18 - 36 = 0$

i.e. $x^2 - 7x - 18 = 0$

factorizing $(x-9)(x+2) = 0$

whence $x = 9 \text{ or } -2$

* Solutions obtained from equation $x^2 - 7x + 18 = 49$ satisfy the equation

$$x^2 - 24 - \sqrt{x^2 - 7x + 18} = 7x \text{ but not the one under consideration.}$$

In squaring we get a result which might have been derived from

$$\sqrt{x^2 - 7x + 18} = 7$$

(iii.) $x^2 - xy + y^2 = 7$ (i.) $x^4 + x^2y^2 + y^4 = 133$ (ii.)

$\div$ (ii.) by (i.) $x^2 + xy + y^2 = 19$ (iii.)

subtract (iii.) from (i.) $-2xy = -12$

$\therefore xy = 6$ (iv.)

add (iii.) and (iv.) $x^2 + 2xy + y^2 = 25$

take square root $x + y = \pm 5$ (v.)

again subtract (iv.) from (i.) $x^2 - 2xy + y^2 = 1$

take square root $x - y = \pm 1$ (vi.)

add (v.) and (vi.) $2x = \pm 6 \pm 4$

$\therefore x = \pm 3 \pm 2$

simplify by subtraction we obtain $y = \pm 2 \pm 3$ } Ans.

Q. 8.—Simplify the product of

$$a^{\frac{1}{2}}, a^{-2}, \sqrt[3]{a^4}, a^{\frac{1}{3}}, \sqrt[4]{a^5}, \text{ and } (a^{-1})^{\frac{2}{3}}.$$

A. 8.—

$$\begin{aligned} & a^{\frac{1}{2}} \times a^{-2} \times \sqrt[3]{a^4} \times a^{\frac{1}{3}} \times \sqrt[4]{a^5} \times (a^{-1})^{\frac{2}{3}} \\ &= a^{\frac{1}{2} - 2 + \frac{4}{3} + \frac{1}{3} - \frac{1}{2} \times \frac{2}{3}} \\ &= a^{\frac{1}{2} + \frac{1}{3} - \frac{2}{3}} \\ &= a^{\frac{30 + 10 - 20}{60}} \\ &= a^{\frac{20}{60}} \\ &= a^{\frac{1}{3}} \text{ or } \sqrt[3]{a} \quad \text{Ans.} \end{aligned}$$

Q. 9.—Find the number whose square added to its cube is nine times the next higher number.

$$\begin{aligned} \text{A. 9.—} \quad & \text{Let } x = \text{the number} \\ & \text{then } x^2 + x^3 = 9(x+1) \\ & \text{i.e. } x^3(x+1) = 9(x+1) \\ & \text{Dividing by } x+1 \quad x^2 = 9 \\ & \therefore x = \pm 3 \\ & \text{since } x+1 \text{ is a factor } x+1 = 0 \\ & \text{i.e. } x = -1 \\ & \therefore x = 3, -3, -1 \quad \text{Ans.} \end{aligned}$$

ARITHMETIC.

Q. 1.—Add together : 3·01479, 23·987645, 451·0057, 0·038971, 2·38179, 0·0041117, 117·010589, 1314·576399 ; and multiply the sum by 0·003.

A. 1.—

$$\begin{array}{r}
 3\cdot01479 \\
 23\cdot987645 \\
 451\cdot0057 \\
 \cdot038971 \\
 2\cdot38179 \\
 \cdot0041117 \\
 117\cdot010589 \\
 1314\cdot576399 \\
 \hline
 1912\cdot019957 \\
 \cdot003 \\
 \hline
 5\cdot7360599871 \text{ Ans.}
 \end{array}$$

Q. 2.—If we were to adopt a decimal system of coinage, consisting of the pound sterling, the florin, and a new coin to be called a *cent*, equal to one-tenth of two shillings, and another coin to be called a *mil*, equal to one tenth of a cent, express as nearly as you can £3 15s. 3d., £4 17s. 6d., £2 5s. 10d., and 1d. in the new coinage, showing the amount of error or difference in each case in which the sum cannot be exactly rendered.

A. 2.—

$$\begin{array}{r}
 d \\
 12 \overline{) 3\cdot0000} \\
 20 \overline{) 15\cdot2500} \\
 3\cdot7625 \text{ £}
 \end{array}$$

1st ANSWER = 3 pounds, 7 florins, 6 cents, $2\frac{1}{2}$ mils. Error = $\frac{1}{2}$ mil.

$$\begin{array}{r}
 d \\
 12 \overline{) 6\cdot000} \\
 20 \overline{) 17\cdot500} \\
 4\cdot875 \text{ £}
 \end{array}$$

A. 2.—(continued).

2nd ANSWER = 4 pounds, 8 florins, 7 cents, 5 mils.

$$\begin{array}{r} 12 \overline{) 10.0000} \\ 20 \overline{) 5.8333 \text{ \&c.}} \\ 2.2916 \text{ \&c. } £ \end{array}$$

3rd ANSWER = 2 pounds, 2 florins, 1 cent, $6\frac{2}{3}$ mils. Error = $\frac{1}{3}$ mil.

$$1d. = \frac{1}{240} £ = \frac{.1}{24} £ = \frac{.0125}{8} £ = .0041\dot{6} £ = 4 \text{ mils} + .16 \text{ mils.}$$

$$\text{Error} = .16 \text{ mils.}$$

Q. 3.—Find the cost price of goods which, sold for £456, yield a profit of 15 per cent.

A. 3.—

Goods bought for £100 sell for £115

Goods bought for $\frac{100}{115}$ sell for £1

$$\begin{aligned} \text{Ans.} &= \frac{100 \times 456}{115} £ \\ &= \frac{20 \times 456}{23} £ \\ &= £396 \frac{12}{23} £ \\ &= £396 \text{ 10s.} + \frac{12}{23} \text{ shillings} \\ &= £396 \text{ 10s. } 5\frac{1}{3}\text{d.} \quad \text{Ans.} \end{aligned}$$

Q. 4.—Show how to convert a recurring decimal to a vulgar fraction. Take as an example $0.41\dot{7}\dot{2}$.

A. 4.—

For Numerator, write down the decimal figures to end of 1st circulating period and subtract the non-circulating figures.

For Denominator, write as many nines as there are circulating and as many cyphers as there are non-circulating figures.

$$.41\dot{7}\dot{2} = \frac{4172 - 4}{9990} = \frac{2084}{4995} \quad \text{Ans.}$$

Q. 5.—A 4 per cent. loan is issued at 97. If I invest in it £4,850 and sell after three years at par, how much per cent. have I made per annum? If I invest the proceeds in a 3 per cent. stock at $88\frac{1}{2}$, what is the difference in the income?

A. 5.—

1st Income = £4 on £97 cash.

$$= \frac{4}{97} \times \frac{4850}{1} \text{ £} = £200$$

$$\text{1st ANSWER} = \frac{4}{97} \text{ of } £100$$

$$= \frac{400}{97} \text{ £} = 4 \frac{1}{4} \% \text{ Ans.}$$

$$\text{Stock bought} = \frac{100 \times 4850}{97} \text{ £} = £5000$$

Taking proceeds to mean the 3 years' interest and money received for stock sold.

$$\text{Proceeds} = \left(\frac{12}{97} + \frac{100}{97} \right) \times \frac{4850}{1} \text{ £}$$

$$\text{2nd Income} = \frac{112 \times 4850}{97} \times \frac{3}{88\frac{1}{2}} \text{ £}$$

$$= \frac{112 \times 50 \times 6}{177} \text{ £}$$

$$= \frac{11200}{59} \text{ £}$$

$$\text{Difference in Income} = 200 - \frac{11200}{59} \text{ £}$$

$$= \frac{11800 - 11200}{59} \text{ £}$$

$$= \frac{600}{59} \text{ £}$$

$$= 10 \frac{1}{4} \text{ £ ; 2nd Ans.}$$

Q. 6.—Taking the volume of a sphere as 4.2 times the cube of the radius, find the weight of metal in a hollow sphere of which the external radius is 7 inches and the thickness 1 inch, supposing 1 cubic foot of the metal to weigh 430 lb.

A. 6.—

Vol. of hollow sphere = $4.2 \times (7^3 - 6^3)$ cub. in.

$$= \frac{42}{10} \times \frac{343 - 216}{1} \text{ cub. in.}$$

$$= \frac{21 \times 127}{5} \text{ cub. in.}$$

$$\text{Weight} = \frac{21 \times 127}{5 \times 1728} \times \frac{430}{1} \text{ lb.}$$

$$= \frac{21 \times 127 \times 43}{864} \text{ lb.}$$

A. 6.—(continued).

$$\begin{aligned}
 &= \frac{7 \times 127 \times 43}{288} \text{ lb.} \\
 &= \frac{38227}{288} \text{ lb.} \\
 &= 132 \frac{211}{288} \text{ lb.} \\
 &= 1 \text{ cwt. } 20 \frac{211}{288} \text{ lb. Ans.}
 \end{aligned}$$

Q. 7.—A man's net income is £730 a year after paying 1s. in the £ income tax. Suppose his gross income is increased by 20 per cent., and the income tax rises to 1s. 4d. in the £: what is his net income?

A. 7.—

Net income with 1s. income tax = £730

$$\text{Gross do.} \quad \text{do.} \quad = \frac{100 \times 730}{95} \text{ £}$$

$$\text{Net do. with 1s. 4d.} \quad \text{,,} \quad = \frac{73000}{95} \times \frac{120}{100} \times \frac{14}{15} \text{ £}$$

$$\therefore \text{1s. 4d.} = \frac{1}{15} \text{ £}$$

$$\begin{aligned}
 \text{Ans.} &= \frac{14600}{19} \times \frac{6}{5} \times \frac{14}{15} \text{ £} \\
 &= \frac{146 \times 4 \times 6 \times 14}{19 \times 3} \text{ £} = \frac{146 \times 8 \times 14}{19} \text{ £} \\
 &= \frac{16352}{19} \text{ £} = 860 \frac{12}{19} \text{ £ Ans.}
 \end{aligned}$$

Q. 8.—A pound sterling exchanges for 26·4 Italian *lire*, and for 25·2 French *francs*. Convert 1,000 *francs* into *lire*.

A. 8.—

Ans. lire = 1000 francs

252 francs = 264 lire

$$\text{Ans.} = \frac{1000 \times 264}{252} \text{ lire}$$

$$= \frac{22000}{21} \text{ lire}$$

$$= 1047 \frac{1}{3} \text{ lire.}$$

Q. 9.—Find the present value of £5,000 due $2\frac{1}{2}$ years hence, reckoning 4 per cent. compound interest payable half-yearly.

A. 9.—

It is the same as if time were 5 years and interest 2 %

$$\text{Ans.} = \frac{5000}{(1.02)^5} \text{ £}$$

As £1 becomes 1.02 in 1 year and $(1.02)^2$ in 2 years and so on.

$$\text{Ans.} = \frac{5000 \times 100}{1.0404 \times 1.0404 \times 102} \text{ £}$$

$$= \frac{50 \times 25 \times 25}{.2601 \times .2601 \times 102} \text{ £}$$

$$\text{Ans.} = \frac{25 \times 25}{.06765201 \times 2.04} \text{ £}$$

$$= \frac{625}{.1380101004} \text{ £}$$

$$= 4528.654 \text{ £}$$

$$= \text{£}4528 \text{ 13s. 1d. nearly}$$

ENGLISH COMPOSITION.

Write an Essay on *one*, but not more than one, of the following subjects :—

- (1) The relative Advantages and Disadvantages of a Republican and Monarchical form of Government.
- (2) The True Causes of the Boer War.
- (3) The Life of one of the Kings Edward of England.

 ESSAY.
The True Causes of the Boer War.

The war just on the point of expiring was brought about by the determination of the Cape Dutch to make an independent nation of South Africa, of which the ruling power should be Dutch, the British being practically expelled or degraded and the native blacks enslaved. This thought has been growing up for a quarter of a century. Mr. Froude, who was in South Africa about 1877, mentions his interview with an influential Dutch colonist, who expressed a desire for a united dominion, and who, when asked whether it should be under the British flag, did not respond.

The formation of the disloyal Afrikaner party gave organisation and strength to those who desired to carry out this purpose.

A second cause was the vacillation of the English Government, the leaders of the Liberal party being unable to take a statesman-like view of the question, and they have chiefly been in power. Froude actually proposed to give up the whole except a small district round Cape Town, which was to be used as a coaling station. To save the situation caused by the truculent cruelty and rapacity of the Boer trekkers, the Orange State was annexed

and then given up; the Transvaal was annexed and then accorded a semi-independence after a campaign hastily begun and as hastily abandoned after a petty combat at Majuba Hill. The accompanying conditions were ill observed by the Boers, and, although modified to suit their views in a conciliatory manner, only formed the incitement to the present war begun in 1899.

A third cause was the systematic endeavour to prevent the British inhabitants of the Transvaal, who were half the population, from having the slightest political power, from being armed (so that the natives might look upon them as an inferior people to the Dutch), and, therefore, from having the slightest chance of obtaining justice. The murder of Mr. Edgar by a policeman, who was acquitted when tried, may be looked on as the first blow of the war.

The desire to enslave the natives for all practical purposes, which could not be done under the British flag, was a very strong motive in inducing the Boers to declare war against England, and this unwise act was largely brought about by the gross ignorance of the Transvaal people, kept up by the deceit of their interested leaders.

Lastly, the jealousy of at least three Continental powers, one of whom coveted the possession of the Transvaal on account of its mineral wealth, urged on the Boers to invade and attempt to annex portions of the British Empire. They thought, and probably had good reason to think, that England would thereby be prevented from annexing their territory wholly, even if they were defeated; and that the Radical party would clamour that their independence should be granted. As they thought that they would be almost sure to win, it seemed that they might gain, but could not ultimately lose.

GEOMETRY.

Q. 1.—Prove that, if two triangles have the sides of the one respectively equal to the sides of the other, the angles of the one are respectively equal to the angles of the other.

A. 1.—Euclid, Book I., prop. 8.

Q. 2.—Through a given point outside a given angle draw a line which with the sides of the angle shall make an isosceles triangle.

A. 2.—Let ABC be the given angle and D the given point. Join BD.

With centre B and radius BD describe a circle DEF cutting BA in E and BC in F. Join EF.

Through D draw a straight line DK parallel to EF, and cutting BE in H and BF in L.

Then BHL will be the isosceles triangle required.

BE=BF being radii of the same circle.

$\therefore$ triangle BEF is isosceles.

$\therefore$ angle BEF=angle BFE. (Euclid, Book I., prop. 5.)

But since HK is parallel to EF

$\therefore$ angle BHL=angle BEF. (Euclid, Book I., prop 29.)

and angle BLH=angle BFE,

whence angle BHL=angle BLH,

$\therefore$ side BH=side BL. (Euclid, Book I., prop. 6.)

$\therefore$ triangle BHL is isosceles.

Q. 3.—Define *parallel straight lines*. Prove that the line bisecting the two sides of a triangle is parallel to the base.

A. 3.—Euclid, Book I., def. 35.

Let ABC be a triangle.

Bisect AB in D and AC in E.

Join DE.

Then DE shall be parallel to BC.

From C draw CF parallel to AB, and make it equal to AD or DB; join EF.

Then triangles ADE, EFC have DA=CF, AE=EC, and angle DAC=angle ECF $\therefore$ they are equal in all respects.

$\therefore$ EF=DE, and angle AED=angle FEC $\therefore$ DEF is a straight line. (Euclid, Book I., prop. 4.)

$\therefore$ CF is equal and parallel to DB $\therefore$ DF is equal and parallel to BC. (Euclid, Book I., prop. 33.)

$\therefore$ DE is parallel to EC. Q.E.D.

Q. 4.—Show how to construct a rectangle on a given straight line equal to an irregular four-sided figure.

A. 4.—Let ABCD be an irregular four-sided figure, and line PQ be the given straight line.

Join BD.

To PQ apply a parallelogram PQRS equal to the triangle ABD and having angle PQR a right angle.

(Euclid, Book I., prop. 44.)

Then all its angles will be right angles.

(Euclid, Book I., prop. 46, cor.)

To the straight line RS apply a parallelogram SRTV equal to the triangle DBC and having angle SRT a right angle.

(Euclid, Book I., prop. 44.)

Then all its angles are right angles.

(Euclid, Book I., prop. 46, cor.)

Then PQTV will be a parallelogram, and the one required.

Proof as in Euclid, Book I., prop. 45.

Q. 5.—Prove, geometrically, the proposition

$$(a+b)^2 = a^2 + 2ab + b^2,$$

where a and b represent the lengths of two given straight lines.

A. 5.—Euclid, Book II., prop. 4.

Q. 6.—Show how to divide a line into two parts so that the rectangle contained by the whole line and one of the parts shall be equal to the square on the other part.

A. 6.—Euclid, Book II., prop. 11.

Q. 7.—A quadrilateral is inscribed in a circle. Prove that each pair of opposite angles are together equal to two right angles.

A. 7.—Euclid, Book III., prop. 22.

Q. 8.—Define a *tangent* to a circle. How many common tangents may be drawn to two circles? Consider the different cases.

A. 8.—A tangent to a circle is a straight line having one point only in contact with its circumference and which, being produced, does not cut it.

Four, two pairs.

Let ABCD, EFGH, be two circles.

There may be two common tangents proceeding from a point P outside the smaller circle, viz., PAE and PBF.

Also two from a point Q between, viz., DQG and CQH.

Q. 9.—If tangents are drawn from a point without a circle, the line joining the point to the centre of the circle bisects the angle made by the tangents. Prove this.

A. 9.—Let ABC be circle, of which centre is O, and P point without it. Draw PA and PB tangents at A and B. Join PO, cutting circumference in C, and produce to meet circumference again in D.

Now square of PA = rectangle DP, PC = square of PB.

(Euclid, Book III., prop. 36.)

∴ PA = PB, also AO = BO, and angles PAO, PBO are right angles.

(Euclid, Book III., prop. 16.)

$\therefore$ triangles APO, BPO are equal in all respects.

$\therefore$ angle OPA = angle OPB.

$\therefore$ PO bisects angle APB.

Q.E.D.

Q. 10.—Draw a circle which shall touch two given parallel lines and pass through a given point lying between the lines.

A. 10.—Let AB and CD be given straight lines, P given point between them.

Draw AC a common perpendicular to AB and CD, bisect it in E.

Through E and P respectively draw EF and PG parallel to AB or CD. Let PG cut AEC in G.

With centre E and radius EA describe circle AKHC, cutting EF in H and GP in K.

Join EK, and through P draw PF parallel to EK, cutting EF in F. Through F draw BFD a common perpendicular to AB and CD.

FP = EK, being opposite sides of a parallelogram.

(Euclid, Book I., prop. 34.)

= EA and EC.

= FB and FD.

With centre F and radius FP describe a circle BPD, this will pass through B and D, and be the circle required. Q.E.D.

HISTORY AND GEOGRAPHY.

(Not more than *nine* questions to be answered, of which *one* at least must be selected from the last *four*.)

Q. 1.—What claim had the following kings to the English throne?—William II., Henry II., Henry IV., Henry VII., William III., George I.

A. 1.—William II., the will of his father that he should take precedence of the elder, Robert.

Henry II., the heir by descent of the only line remaining of the Conqueror's sons.

Henry IV., his descent from Edmund Crouchback, wrongly reputed the elder brother of Edward I.

Henry VII., his descent from John of Gaunt, by an illegitimate branch and his marriage to the true heiress, Elizabeth of York.

William III., his marriage to his cousin Mary, daughter of James II.

George I., his descent from James I. through Elizabeth, who married the Elector Palatine.

Q. 2.—Assign important events to the years 597, 878, 1282, 1356, 1492, 1649, 1759, 1870.

A. 2.—

A. D. 597. Conversion of the English.

878. Victory at Ethandune by Alfred over the Danes.

1282. Conquest of Wales.

1356. Battle of Poitiers.

1492. Discovery of America.

1649. Execution of Charles I.

1759. Wolfe's victory at Quebec.

1870. War between Germany and France.

Q. 3.—State briefly the circumstances that led to the formation of the United Kingdom.

A. 3.—In 1171 Ireland was invaded; its conquest was slow, but English influence grew in the reigns of Elizabeth, James I., and William III.

Wales was conquered by Edward I., and the completion took place under Henry IV.

Scotland, with a short interval, remained independent till 1603, when its King, James VI., became King of England; its Parliament was united to the English Parliament a century later, and that of Ireland in 1800.

Q. 4.—What do you know of Aelfheah, Piers Gaveston, Thomas Cromwell, Stephen Langton, Dunstan, Judge Jeffreys, Sir Philip Sidney, Sir Robert Walpole, Jack Cade?

A. 4.—Aelfheah, Bishop of Winchester, who persuaded Dunstan to become a monk.

Piers Gaveston, the favourite of Edward II., beheaded by the insurgent nobles in 1312.

Thomas Cromwell, the minister of Henry VIII., successor to Wolsey, and afterwards Earl of Essex; he carried the Reformation through, but having offended the King in promoting his marriage with Anne of Cleves, he was accused of treason and executed 1540.

Stephen Langton, Archbishop of Canterbury, by the influence of Pope Innocent III., at a council held in St. Paul's 1214, brought forward an old Charter of Henry I., which became the basis of the Magna Charta, signed by King John in 1215. For his share in procuring this he was suspended by the Pope till 1218, when he recovered his See, in possession of which he died.

Dunstan was the great English Churchman of the tenth century, and practically minister from the reign of Edred to that of Edward the Martyr. He was not always scrupulous, and was

the advocate of the celibacy of the clergy. He became Abbot of Glastonbury and Archbishop of Canterbury.

Judge Jeffreys rose by his abilities and subserviency. Under James II. he became notorious for the callous way in which he sentenced to death the deluded followers of Monmouth. He died in the Tower, generally execrated.

Sir Philip Sidney was one of the great ornaments of the Court of Elizabeth. He acted as Governor of Flushing, and was killed at Zutphen, 1586.

Sir Robert Walpole, Prime Minister during the reign of George I. and part of that of his successor, was born in 1676 at Houghton, Norfolk. He was the leader of the Whigs, not over-scrupulous, and ruled by corruption ; but he was patriotic.

Jack Cade, the leader of a rebellion in the reign of Henry VI., 1450. It was a prelude to the Yorkist revolt, and Cade assumed the name of Mortimer. For a short time he was master of London, and in token thereof struck with his sword the London Stone, still in existence at St. Swithin's Church, Cannon Street. He met a violent death.

Q. 5.—When, by whom, and with what result, were fought the battles of Lewes, Sedgemoor, Barnet, Plassey, Culloden, Naseby, Bosworth, Senlac, Ramillies ?

A. 5.—

	<i>Date</i>	<i>Between</i>	<i>Victor</i>
Lewes	...1264—	Henry VI. and Simon de Montfort	...Simon
Sedgemoor...	1685—	Monmouth and the Royalists ..	Royalists
Barnet	...1471—	Edward IV. and Warwick ..	Edward IV.
Plassey	...1757—	English and Nabob of Bengal..	Clive
Culloden	...1746—	Charles Edward and Duke of Cumberland ...	...The Duke
Naseby	...1645—	Charles I. and Fairfax	...Parliament
Bosworth	...1485—	Richard III. and Henry VII....	Henry
Senlac	...1066—	William I. and Harold	...William
Ramillies	...1706—	French and English ...	...Marlborough

Q. 6.—Compare the reigns of Elizabeth and Victoria

A. 6.—They are both among the long reigns of English history, the former 45 years and the latter 64. Both reigned at critical epochs: both were great, but the latter by far the better woman. Elizabeth had the more difficult position, and had to struggle for the very existence and religion of England against Philip of Spain. Victoria had no such enemy. Yet it required more self-sacrifice to rule the thirty millions of Britons under Victoria than the five under Elizabeth, to say nothing of the early difficulties caused by the Colonies. Yet we must not forget that the first Colony—Virginia—was founded in the earlier reign, and the first step taken which resulted in our Indian Empire.

Q. 7.—What is meant by the People's Charter, Ship Money, South Sea Bubble, Stamp Act, the Cotton Famine, Peace of Ryswick, Habeas Corpus Act, Colonisation of Ulster, Constitutions of Clarendon?

A. 7.—*The People's Charter* was the name given to the document presented to Parliament in 1848 by Fergus O'Connor, to promote universal suffrage, vote by ballot, and triennial Parliaments. Many of the signatures to it were fictitious—e.g., Victoria Rex, Duke of Wellington, Sibthorp.

Ship Money had been paid by the maritime counties in early days to provide for the defence of the coasts. Charles I. attempted to levy it on the whole country to maintain a standing army. John Hampden refused to pay, and was condemned by the Judges, but the moral victory lay with him.

South Sea Bubble.—In the reign of George I. a South Sea Company was started to have the exclusive right of trading to the lands in the South Seas, and to become the sole creditors of the nation. A fictitious rise in the value of its shares was followed by a complete collapse; some of the ministry were involved, and hundreds ruined.

The Stamp Act was an attempt to tax the American colonists for the expenses of the Seven Years' War. It was just in principle, as they had profited by the war, but being carried out in an unstatesmanlike way helped to bring about the greatest loss sustained by the British Empire.

The Cotton Famine resulted from the American Civil War of 1861, the blockade of the southern ports preventing the export of raw cotton from the Southern States to England. Many operatives in the cotton manufactures were thrown out of employment, and much suffering caused.

The Peace of Ryswick ended the war between England and France in 1697. William III.'s title to the crown was acknowledged; Louis XIV. retained Strasburgh.

The Habeas Corpus Act was passed in the reign of Charles II. to prevent men being kept years in prison without being tried for alleged offences.

The Colonisation of Ulster was the confiscation of two-thirds of that province and its settlement with English and Scotch in 1610, in the reign of James I., as a penalty for the revolt of the Irish. The Corporation of London colonised Derry.

The Constitutions of Clarendon were enactments at that town in the reign of Henry II., A.D. 1163. They were that the clergy should be tried for crime by the ordinary State tribunals; that prelates should pay homage to the King for their lands; that appeals to Rome should be stopped.

Q. 8.—Trace briefly the circumstances under which our foreign possessions were acquired.

A. 8.—The American colonies were begun in the reign of Elizabeth, extended at the expense of France, and the northern districts of Canada and Nova Scotia maintained after the United States were lost.

Jamaica, in the time of the Commonwealth.

Gibraltar and Malta were acquired, the former at the beginning, the latter at the end, of the eighteenth century, in wars against Spain and France.

India by degrees, during the wars of the eighteenth century and the beginning of the nineteenth.

Africa, during the present century.

Australia and Polynesia in the eighteenth and nineteenth centuries.

Q. 9.—Write a short life of *two* of the following:—Sir Walter Raleigh, Marlborough, Nelson, William Pitt.

A. 9.—Sir W. Raleigh was a Devonshire man, and altogether the first Englishman of his time, Shakespeare excepted. In 1584 he founded the colony of Virginia, and thence introduced tobacco and potatoes to Europe. He served in Ireland and against Spain. In the reign of James I. he was imprisoned as being concerned in a plot to secure the accession of Arabella Stuart to the throne. In prison he wrote his "History of the World." He was released to head an expedition to South America, but returned unsuccessful. To please the Spaniards, he was unjustly executed on his former sentence, which should have been held annulled by subsequent royal employment.

John Churchill, afterwards Duke of Marlborough, became page to James II. when Duke of York, and received by his influence a commission in the Army. His powers were great, his conscientiousness small. He was serviceable in putting down the Monmouth rebellion, but when the Prince of Orange landed, he deserted the King's cause. His treason in the reign of William III. was more than suspected, but under Anne he was named general of the allied forces against France, the strength of which he broke down by an extraordinary series of victories. By a Court intrigue he was deprived of his command, and led a quiet life afterwards on his estate at Blenheim Park, which he received for his victory at a place of that name in Bavaria.

Horatio Nelson was the son of an English clergyman. He entered the Royal Navy. In various engagements his splendid talents were shown, especially in the war against Denmark. He maimed the French fleet at the Battle of the Nile, but completely destroyed it at Trafalgar, 1805.

William Pitt, the younger, became Prime Minister to George III. at the age of 26. He became eminent as a peace Minister, when the outbreak of the French Revolution changed his plans. England joined the coalition against France, but peace was made at Amiens in 1802. The perfidy of Napoleon caused a new war, and the defeat of the Austrians at Austerlitz in 1805 caused Pitt's death from disappointment.

Q. 10.—Give a short list of the celebrated authors and inventors of the eighteenth century.

A. 10.—Among the celebrated authors of the eighteenth century are:—

John Dryden, poet; John Locke, philosopher; Gilbert Burnet, Bishop of Salisbury, historian; Joseph Addison, dramatist; Sir Isaac Newton, mathematician; Daniel Defoe, novelist; Alexander Pope, poet; Johnathan Swift, poet; Joseph Butler, Bishop of Bristol, theologian; Edward Young, poet; Oliver Goldsmith, novelist; David Hume, historian; Samuel Johnson, lexicographer; Robert Burns, poet.

Inventors:—James Watt, steam engine; Richard Arkwright, spinning machine; Sir Isaac Newton, an improved telescope; James Brindley, canal digger; Quinquet, lamp inventor; Lavoisier, discoverer of oxygen; James Symington, steam boat; Samuel Compton, the mule.

Q. 11.—What towns in the United Kingdom are connected with the following industries?—earthenware, watches, gloves, carpets, straw-plaiting, hosiery, hardware.

A. 11.—*Earthenware*—Etruria, in North Staffordshire.

Watches—Clerkenwell.

Gloves—Worcester.

Carpets—Kidderminster.

Straw-plaiting—Luton.

Hosiery—Nottingham.

Hardware—Sheffield and Birmingham.

Q. 12.—What, and where, are Coniston, Corrib, Goole, Great Ouse, Tawe, Drogheda, Macdhui, Leith, Clwyd, Stirling, Blackwater, the Naze?

A. 12.—Coniston, lake in Cumberland; Corrib, lake in Galway; Goole, town in Yorkshire, near the Humber.

Great Ouse, river rising near Bedford; flows by it and Huntingdon, into Norfolk, and the Wash.

Tawe, a river of Devon, on which is Barnstaple.

Drogheda, town in south-east Ireland, taken by Cromwell with great slaughter.

Macdhui, mountain in Aberdeenshire.

Leith, the port of Edinburgh, opposite the coast of Fife.

Clwyd, a beautiful vale in Denbigh and Flint.

Stirling, capital of county of same name on river Forth.

Blackwater, a river of Essex, on which is Maldon.

The Naze, a cape in Essex.

Q. 13.—Enumerate the principal canals of England, capes of Scotland, and lakes of Ireland.

A. 13.—Brindley's Canal, between Worsley and Manchester, 1761, afterwards extended to the Mersey.

Grand Junction Canal.

Gloucester, Bristol.

Thames and Medway.

Huddersfield.

Shrewsbury, Ellesmere and Chester.

Leominster Canal.

Bedford Level.

Welland Canal, in Lincolnshire.

Trent and Mersey, or Grand Trunk Canal ; Humber and Mersey.

Capes of Scotland.—Wrath, Duncansby Head, Tarbat Ness, Buchan Ness, Fife Ness, St. Abb's Head, Burrow Head, Mull of Galloway, Mull of Cantire, Greenstone Point, Butt of Lewis.

Lakes of Ireland.—Lough Neagh, Erne, Allen, Ree, Derg, Mask, Corrib, Conn, Killarney.

Q. 14.—Draw an Outline Map of the United States, inserting the principal ports.

A. 14.—*Principal Ports of United States.*—Boston, in Massachusetts ; New York ; Annapolis, in Maryland ; Charleston, in South Carolina ; Charlotte Harbour, in Florida ; Mobile, in Alabama ; New Orleans, in Louisiana ; Galveston, in Texas ; San Francisco, in California.

Q. 15.—Trace the course of the Mississippi and the Hudson Rivers, and indicate the most important towns on their banks.

A. 15.—The Mississippi rises in Minnesota, forms the boundary between Iowa and Illinois, has on it the cities of Nauvoo, St. Louis, Troy, Memphis, Bolivar, Vickburg, Natchez, Baton Rouge, and New Orleans. Its later course forms the boundary between Missouri and Kentucky, Arkansas and Tennessee, Louisiana and Mississippi States.

The Hudson river forms the boundary between the States of New York and Pennsylvania ; the cities on it are Elmira, Binghamton, and New York.

LATIN (ELEMENTARY).

Q. 1.—Decline—*melior deus* ; *propius lumen* ; *celeris asina*.

A. 1.—

Nom. and Voc., Sing.	Melior deus	Propius lumen
Acc.	Melior-em deum	Propius lumen
Gen.	„ -is dei	Propior-is lumin-is
Dat.	„ -i deo	„ -i „ -i
Abl.	„ -e deo	„ -e „ -e
Nom. and Voc., Plu.	„ -es dei or di	„ -a „ -a
Acc.	„ -es deos	„ -a „ -a
Gen.	„ -um deum	„ -um „ um
Dat. and Abl.	„ -ibus deis or dis,	-ibus „ ibus
Nom. and Voc., Sing.	Celer-is	asin-a
Acc.	„ -em	„ -am
Gen.	„ -is	„ -æ
Dat.	„ -i	„ -æ
Abl.	„ -i	„ -a
Nom. and Voc., Plu.	„ -es	„ -æ
Acc.	„ -es	„ -as
Gen.	„ -ium	„ -arum
Dat. and Abl.	„ -ibus	„ -abus

Q. 2.—Write out the genitive singular, dative plural, gender, and meaning of *pes*, *pedes*, *bos*, *vulgus*, *facinus*, *acus*, *pinus*, *domus*, *cornu*, *aether*.

A. 2.—

Gen. Sing.	Dat. Plu.	Gender.	Meaning.
Pedis	Pedibus	M.	Foot
Peditis	Peditibus	M.	Foot-soldier
Bovis	Bobus or bubus	C.	Ox or Cow

A. 2.—(continued).

<i>Gen. Sing.</i>	<i>Dat. Plu.</i>	<i>Gender.</i>	<i>Meaning.</i>
Vulgi	(None)	N.	Crowd
Facinoris	Facinoribus	N.	Deed
Acus	Acibus	F.	Needle
Pinus and pini	Pinis	F.	Pine
Domus	Domibus	F.	House
Cornus	Cornibus	N.	Horn
Aetheris	Aetheribus	M.	Upper air

Q. 3.—Compare *ater*, *dubius*, *magnopere*, *albus*, *beneficus*, *malevolus*, *macer*, *similis*.

A. 3.—

<i>Pos.</i>	<i>Comp.</i>	<i>Super.</i>
Ater	Atrior	Aterrimus
Dubius	Magis dubius	Maxime dubius
Magnopere	Magis	Maxime
Albus	Albior	Albissimus
Beneficus	Beneficentior	Beneficentissimus
Malevolus	Malevolentior	Malevolentissimus
Macer	Macrior	Macerrimus
Similis	Similior	Simillimus

Q. 4.—Parse the words—*passi*, *fando*, *isti*, *vis*, *esset*, *sese*, *premet*, *mementote*, *oblatas*, *venit*, *confecta*, *nollet*, *malit*, *coepisse*.

A. 4.—*Passi*—Nom. plu., masc., perf. participle, from *Patior*, *passus sum*, *pati*.

Fando—Gerund, abl. sing., from *For*, *fatus sum*, *fari*.

Isti—Adj. pron., nom. plu., masc., from *Ist-e -a -ad*.

Vis—Verb, 2nd sing., pres. ind., from *Volo*, *velle*, *volui*.

Esset—Verb, 3rd sing., imp. subj., from *Sum*, *esse*, *fui*.

Sese—Pers. pron., acc., from *Se* or *sese*.

Premet—Verb, 3rd sing., pres. ind. act., from *Prem-o*, *-ere*, *pressi*, *pressum*.

Mementote—Verb, 2nd plu., imper., from *Memin-i*, -isse.

Oblatas—Part. perf. pass., acc. fem. plu., *Offer-ro*, -re, *ob-tuli* -latum.

Venit—Verb, 3rd sing., perf. ind. act., from *Ven-io*, -ire, -i, -tum.

Confecta—Part. perf. pass., nom. plu. neut., from *Conf-icio*, -ere, -eci, -ectum.

Nollet—Verb, 3rd sing., imp. subj., from *Nolo*, nolle, nolui.

Malit—Verb, 3rd sing., pres. subj., from *Malo*, malle, malui.

Coeppisse—Defective verb, perf. inf., from *Coepi*.

Q. 5.—Give the principal parts of *cado*, *cedo*, *caedo*, *vivo*, *vinco*, *vincio*, *video*, *ordior*, *audeo*, *confiteor*.

A. 5.—

<i>Pres. Ind.</i>	<i>Pres. Inf.</i>	<i>Perf. Ind.</i>	<i>Sup.</i>
Cad-o	-ĕre	cecĭdi	casum
Ced-o	-ĕre	cessi	cessum
Caed-o	-ĕre	cecĭdi	caesum
Viv-o	-ĕre	vixi	victum
Vinc-o	-ĕre	vici	victum
Vinc-io	-ire	vinxi	vinctum
Vid-eo	-ĕre	vidi	visum
Ordi-or	-īri	orsus sum	
Aud-eo	-ĕre	ausus sum	
Confit-eor	-ĕri	confessus sum	

Q. 6.—Compose Latin sentences illustrating the use of Ablative Absolute, Accusative of Respect, Genitive of Price, Ablative of Price, Dative of Advantage.

A. 6.—Quo facto concessit Romam.

Tremit artus.

Voluptatem virtus minimi facit.

Quod non opus est, asse carum est.

Esto dives amicis, pauper tibi.

Q. 7.—What are the constructions of *licet*, *penes*, *quominus*, *coram*, *poenitet*, *opus*, *in*, *credo*, *doceo*?

A. 7.—*Licet*, impersonal verb used with dative and infinitive, as “*Licet esse otioso Themistocli.*”

Penes, preposition governing accusative, as “*Penes te es?*”

Quominus, conjunction, governing subjunctive mood, used after verbs of hindering.

Coram, preposition, governing ablative, as “*Coram magistro.*”

Poenitet, impersonal verb, governing accusative.

Opus, indeclinable noun, with *est* takes dative of person who needs, and ablative or nominative of thing needed, as “*Milites opus sunt tibi,*” and “*Gubernatore opus est.*”

In, preposition, governing accusative, signifying motion; ablative, signifying rest.

Credo, governing dative of person, accusative of thing.

Doceo, governing double accusative as in English, as “*Docere pueros elementa.*”

Q. 8.—Write out the rules for the Sequence of Tenses in Latin.

A. 8.—The present subjunctive in the subordinate clause follows the present, futures, and perfect definite in the principal.

The imperfect subjunctive follows the imperfect, perfect indefinite, and pluperfect, as—

Veni ut te videam, I have come to see you.

Veni ut te viderem, I came to see you.

The perfect subjunctive and pluperfect are used for present and imperfect for completed actions.

Q. 9.—In how many different ways may a *purpose* be expressed in Latin?

A. 9.—Eight, but not by a tense of the infinitive :—

Veni Romam ut Cæsarem viderem.

Veni Romam quo Cæsarem viderem.

Veni Romam qui Cæsarem viderem.

Veni Romam causa Cæsarem videndi.

Veni Romam causa Cæsaris videndi.

Veni Romam ad Cæsarem videndum.

Veni Roman Cæsarem visurus.

Veni Romam Cæsarem visum.

Q. 10.—State the rules for changing *Oratio recta* into *Oratio obliqua*, and give examples.

A. 10.—

(1) The principal verbs are changed from the indicative to the infinitive in the same tense, the subject being put into the accusative case. The sentence, Romulus urbem condidit quæ Roma appellatur, becomes Narrant Romulum urbem condere quæ Roma appelletur.

(2) Questions are put into the subjunctive, except that rhetorical questions are in the first and third persons rendered by the accusative and infinitive. “Quid agis?” becomes “Rogavit eum quid ageret.”

(3) Commands are changed from the imperative to the subjunctive. “Ite inquit, create consules” becomes “Hortatus est irent, crearent consules.”

(4) The verbs of subordinate clauses are placed in the subjunctive, except when introduced by qui (= et is) when the accusative and infinitive are used.

Q. 11.—Translate into Latin :—

(a) It is the duty of each to defend his country.

(b) You and I hope to come to the City of Corinth in five days.

- (c) Ought he not to have written to ask the consul for peace?
- (d) If all the bravest had fought on our side, our State would never have fallen.
- (e) They promised to leave Rome and be absent for six months

A. 11.—

- (a) Cujusvis est tueri patriam.
 - (b) Ego et tu speramus urbem Corinthum concedere quinque diebus interjectis.
 - (c) Nonne debuit scribere ut pacem a consule peteret.
 - (d) Si omnes nostri fortissimi pugnaverant, nostra civitas nunquam cecidisset.
 - (e) Polliciti sunt se Romam relicturos et sex menses abfuturos.
-

INTERMEDIATE EXAMINATION, JUNE 1901.

BOOKKEEPING AND ACCOUNTS

(INCLUDING EXECUTORSHIP ACCOUNTS).

Q. 1.—What systems of bookkeeping are in general use? Describe the books peculiar to each, and state how the profit or loss is ascertained by the different methods?

A. 1.—There are two main systems of bookkeeping in general use, namely, Double-entry and Single-entry. To these may be added the Columnar system, which is practically a sub-division of the first named. The books peculiar to each are for all practical purposes identical, varying only according to the nature of the transactions to be recorded; but, whereas, under Double-entry the profit or loss is ascertained in the first instance by the Profit and Loss Account, and afterwards checked by the agreement of the totals of the Balance Sheet, the profit or loss under the Single-entry system is arrived at solely by ascertaining the surplus of assets over liabilities, as shown by a statement of affairs, and comparing that surplus with the surplus at the commencement of the period, after taking into account accretions to, and diminutions of, capital. There is, therefore, no check whatever upon the clerical accuracy of profits so arrived at.

Q. 2.—Pass through the proper books to the Ledger the following transactions:—

1900.

- Dec. 10.—Bought of Brown, Jones & Co., 25 bales of raw silk, weighing 1,001 lbs. each, at 12s. 3d. per lb., less 5 per cent. discount.
- „ 11.—Sold to the Bradford Silk Company, 20 bales of raw silk weighing 1,000 lbs. each, at 12s. 6d. per lb. net.
- „ 11.—Great Northern Railway Company, carriage on same at 10s. per bale, to be charged to buyer.

1900.

Dec. 12.—Received acceptances for the following amounts:—

Collins & Co.	£100 0 0
A. Balfour & Co.	£58 10 0
P. Johnson	£200 0 0

„ 13.—Returned by Bradford Silk Company, 10 bales of raw silk, as not being equal to sample, weighing 1,000 lbs. each, at 12s. 6d. per lb. net.

„ 14.—Accepted draft of Brown, Jones & Co., at 60 days' sight, for £300.

„ 14.—Received acceptances of Collins & Co. for £100, plus 5 per cent. per annum for one month, due 15th prox.

A. 2.—

JOURNAL, 1900.

Dr.

Cr.

10 December.		£	s	d	£	s	d
Silk .. ..	.. ..	14,561	8	5			
To Brown, Jones & Co. .. ..	.. ..				14,561	8	5
25 Bales of Raw Silk, 1,001 lbs. each, at 12s. 3d. per lb.	£15,327 16 3						
Less 5 per cent.	766 7 10						
11 December.							
Bradford Silk Co. .. ..	.. ..	12,500	0	0			
To Silk .. ..	.. ..				12,500	0	0
20 Bales of Raw Silk, 1,000 lbs. each, at 12s. 6d. per lb., net ..							
Bradford Silk Co. .. ..	.. ..	10	0	0			
To Great Northern Railway Co. .. ..	.. ..				10	0	0
Carriage on 20 Bales, at 10s. per Bale							
12 December.							
Bills Receivable .. ..	.. ..	358	10	0			
To Collins & Co. .. ..	.. ..				100	0	0
„ A. Balfour & Co. .. ..	.. ..				58	10	0
„ P. Johnson .. ..	.. ..				200	0	0
Being acceptances received this day.							
13 December.							
Silk .. ..	.. ..	6,250	0	0			
To Bradford Silk Co. .. ..	.. ..				6,250	0	0
10 Bales of Silk returned as not equal to sample, at 12s. 6d. per lb., net							
14 December.							
Brown, Jones & Co. .. ..	.. ..	300	0	0			
To Bills Payable .. ..	.. ..				300	0	0
Draft at 60 days' sight accepted this day							
Bills Receivable .. ..	.. ..	100	8	4			
To Collins & Co. .. ..	.. ..				100	8	4
Being acceptance received this day, due 15/1/01.							

A. 2.—(continued).

LEDGER. SILK ACCOUNT.					
Dr.			Cr.		
1900 Dec. 10	To Brown, Jones & Co.	£ s d 14,561 8 5	1900 Dec. 11	By Bradford Silk Co. ..	£ s d 12,500 0 0
" 13	" Bradford Silk Co. ..	6,250 0 0			
Dr. BROWN, JONES & Co.			Cr.		
1900 Dec. 14	To Bills Payable ..	£ s d 300 0 0	1900 Dec. 10	By Silk	£ s d 14,561 8 5
Dr. BRADFORD SILK CO.			Cr.		
1900 Dec. 11	To Silk	£ s d 12,500 0 0	1900 Dec. 13	By Silk	£ s d 6,250 0 0
"	" Gt. Northern Rly. Co.	10 0 0			
Dr. GREAT NORTHERN RAILWAY CO.			Cr.		
			1900 Dec. 11	By Bradford Silk Co. ..	£ s d 10 0 0
Dr. BILLS RECEIVABLE ACCOUNT.			Cr.		
1900 Dec. 12	To Sundries	£ s d 358 10 0			
" 14	" Collins & Co. ..	100 8 4			
Dr. COLLINS & Co			Cr.		
			1900 Dec. 12	By Bills Receivable ..	£ s d 100 0 0
			" 14	" " " ..	100 8 4
Dr. A. BALFOUR & Co.			Cr.		
			1900 Dec. 12	By Bills Receivable ..	£ s d 58 10 0
Dr. P. JOHNSON.			Cr.		
			1900 Dec. 12	By Bills Receivable ..	£ s d 200 0 0
Dr. BILLS PAYABLE ACCOUNT.			Cr.		
			1900 Dec. 14	By Brown, Jones & Co.	£ s d 300 0 0

Q. 3.—Prepare a form of Sold Day Book for use in a business having five departments, viz., Furnishing, Mantles, Silks, Hosiery, and Haberdashery, so that it may show to whom the sales have to be debited and to which department they should be respectively credited. Give an example of a sale in each department.

A. 3.—

SOLD DAY BOOK.

Date	No.	Name	S. L. Fo.	Total	Furnishing	Mantles	Silks	Hosiery	Haber- dashery
1901				£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
May 30	761	Brought forward ..		2,860 0 0	1,217 0 0	400 0 0	883 0 0	120 0 0	200 0 0
" "	762	A. Jones ..		50 0 0	50 0 0				
" 31	763	B. Smith ..		5 0 0	..	5 0 0			
" "	764	C. Brown ..		2 0 0	..	..	2 0 0		
" "	765	D. Robinson ..		1 0 0	..	..	..	1 0 0	
" "		E. Green ..		1 0 0	..	..	..	..	1 0 0
				£2,859 0 0	£1,267 0 0	£405 0 0	£885 0 0	£121 0 0	£201 0 0

The totals of the five analytical columns are posted to the credit of corresponding accounts in the Nominal Ledger.

A. 4.—(continued).

When all transactions pass through the bank, and it is desired to balance the Sold, Bought, General Ledgers separately, the following ruling may be used :—

Dr.		CASH.				CONTRA.				Cr.	
	Particulars	Fo.	Sold Ledger	General Ledger	Bank	Date	Particulars	Fo.	Bought Ledger	General Ledger	Bank
1884			£ s d	£ s d	£ s d	1884			£ s d	£ s d	£ s d
Jan. 1	To Jones, Capital..	1	..	200 0 0	400 0 0	Jan. 4	By Fixtures ..	3	..	50 0 0	50 0 0
" 31	" Smith, do. ..	2	..	200 0 0	91 7 6	Mar. 6	" Robinson ..	1	300 0 0	..	300 0 0
Feb. 9	" R. M. Sales ..	1	91 7 6	..	10 0 0	Apr. 9	" Taxes ..	4	..	7 4 0	7 4 0
" 21	" Clarke ..	2	10 0 0	..	30 13 0						
" 28	" Dodd ..	3	30 13 0	..	113 9 0	Apr. 18	" General Ledger ..	5	300 0 0	57 4 0	357 4 0
Mar. 20	" R. M. Sales ..	1	113 9 0	..	20 0 0		" Account ..	12	425 14 9	300 0 0	
" 31	" Ward ..	4	20 0 0	..	116 9 0	"	" B. L. Account ..	x	..	468 10 9	468 10 9
Apr. 18	" R. M. Sales ..	1	116 9 0	..	43 16 3	"	" Balance down ..				
	" Do. ..	1	43 16 3	..							
"	" General Ledger ..		425 14 9	400 0 0	825 14 9						
"	" Account ..	2	300 0 0	425 14 9							
"	" S. L. Account..	13	..								
			£725 14 9	£825 14 9	£825 14 9				£725 14 9	£825 14 9	£825 14 9
Apr. 19	To Balance ..	x	..	468 10 9	468 10 9						

Columns may be added for " Discounts " if required.

Q. 6.—A., B., and C. commence trading in partnership on 1st January 1899 with capital £6,000, which is brought in as to £2,000 by B., as to £1,700 by A., and as to the remainder by C. It is agreed that the Profit or Loss shall be divided in the proportions of $\cdot 28\bar{3}$ to A., $\cdot 33\bar{3}$ to B., and $\cdot 38\bar{3}$ to C.; each partner to be credited with 5 per cent. per annum on capital. At the 31st December 1899 the books are made up and result in the following Trial Balance:—

		£	s	d	£	s	d
A. Capital Account					1,700	0	0
B. " " "					2,000	0	0
C. " " "					2,300	0	0
A. Drawing Account		170	0	0			
B. " " "		200	0	0			
C. " " "		230	0	0			
Creditors					3,400	0	0
Debtors		5,000	0	0			
Furniture and Fixtures		500	0	0			
Purchases		19,000	0	0			
Sales					20,500	0	0
Wages and Salaries		600	0	0			
Rent, Rates, and Taxes		300	0	0			
Office and General Expenses		175	0	0			
Interest					190	0	0
Allowances		45	0	0			
Cash at Bankers—							
On Deposit Account		3,000	0	0			
On Current Account		870	0	0			
		<u>£30,090</u>	<u>0</u>	<u>0</u>	<u>£30,090</u>	<u>0</u>	<u>0</u>

The stock on hand at 31st December 1899 was £1,020. 10 per cent. is charged for depreciation of Furniture and Fixtures, and a sum of £80 is to be transferred to a Reserve for Doubtful Debts. No interest is to be charged on Drawings. Prepare from the above a Trading Account, Profit and Loss Account, Balance Sheet, and Partners' Accounts.

Dr.	TRADING ACCOUNT for the year ended 31st December 1899.						Cr.
To Purchases	£	s	d	By Sales	£	s	d
" Gross Profit, carried to Profit and Loss Account ..	19,000	0	0	Less Allowances ..	20,500	0	0
	2,475	0	0	" Stock-on-hand ..	45	0	0
	£21,475 0 0				20,455 0 0		
					1,020 0 0		
	£21,475 0 0				£21,475 0 0		

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A. 6.—(continued).

BALANCE SHEET, 31st December 1899.

Capital Accounts, viz. :—	<i>Liabilities.</i>			<i>Assets.</i>		
	£	s	d	£	s	d
A. ..	1,943	13	4	Stock-in-Trade ..	..	..
B. ..	2,286	13	4	Furniture and Fixtures (less depreciation) ..	..	1,020 0 0
C. ..	2,629	13	4	Sundry Debtors ..	..	450 0 0
				Less Reserve for Bad and Doubtful Debts ..	..	5,000 0 0
						80 0 0
Sundry Creditors ..						4,920 0 0
				Cash at Bankers :—		
				Deposit Account ..	..	3,000 0 0
				Current Account ..	..	870 0 0
						3,870 0 0
						£10,260 0 0

A. 6.—(continued).

Dr.		A. CAPITAL ACCOUNT.				Cr.	
1899 Dec. 31 " "	To Drawings " Balance down	£ s d		1899		£ s d	
		£	s d	Jan. 1	By Cash Interest	£	s d
		170	0 0	Dec. 31	" "	85	0 0
		1,943	13 4	" "	" Share of Profits..	328	13 4
		<u>£2,113 13 4</u>				<u>£2,113 13 4</u>	
				1900 Jan. 1	By Balance down	1,943	13 4

Dr.		B. CAPITAL ACCOUNT.				Cr.	
1899 Dec. 31 " "	To Drawings " Balance down	£ s d		1899		£ s d	
		£	s d	Jan. 1	By Cash Interest	£	s d
		200	0 0	Dec. 31	" "	2,000	0 0
		2,286	13 4	" "	" Share of Profits..	100	0 0
		<u>£2,486 13 4</u>				386	13 4
				1900 Jan. 1	By Balance down	<u>£2,486 13 4</u>	
						2,286	13 4

Dr.		C. CAPITAL ACCOUNT.				Cr.	
1899 Dec. 31 " "	To Drawings " Balance down	£ s d		1899		£ s d	
		£	s d	Jan. 1	By Cash Interest	£	s d
		230	0 0	Dec. 31	" "	2,300	0 0
		2,629	13 4	" "	" Share of Profits	115	0 0
		<u>£2,859 13 4</u>				444	13 4
				1900 Jan. 1	By Balance down	<u>£2,859 13 4</u>	
						2,629	13 4

Q. 7.—Explain fully the difference between a Trading and a Profit and Loss Account. What does the result of each show, and how are the balances of each dealt with on closing the books ?

A. 7.—The precise difference between a Trading Account and a Profit and Loss Account is a matter upon which opinions differ, and one upon which even the same authority might find it difficult to lay down any general rules conveniently applicable to all classes of undertakings. It may be stated, however, in general terms that the Trading Account shows the gross profit after charging up all expenses necessarily incurred in acquiring or producing the goods dealt in, and bringing them into such a condition as to enable them to be sold ; while the Profit and Loss Account, starting with the gross profit, adds thereto outside sources of income not directly arising from trade, and deducts therefrom expenses of selling and distributing, financial expenses, and general charges, the final balance being net profit. In practice, however, it is not usual to debit Trading Account with expenses—even if directly part of the cost of production—that do not vary directly with the turnover, as it is convenient that the percentage of gross profit (whatever may be the exact meaning attached to the item) should under normal circumstances not vary on account of any increase or reduction in the turnover.

Q. 8.—Explain the terms :—

- (a) Executor.
- (b) Administrator.
- (c) Administrator *de bonis non*.

A. 8.—(a) An Executor is a person appointed by a testator to carry out the directions and requests in his will, and to dispose of the property according to his testamentary provisions after his decease. (Wharton's " Law Lexicon.")

(b) An Administrator is a person appointed by the Probate, Divorce, and Admiralty Division of the High Court to administer the goods and effects of persons dying intestate or without

appointing executors. An administrator is also appointed where none of the executors accept or survive.

(c) An Administrator *de bonis non* is appointed where a sole or surviving administrator or executor dies before the estate is fully administered.

Q. 9.—What Books do you recommend should be kept by Executors, and what are the accounts usually opened in the Estate Ledger? Open Accounts in an Estate Ledger with imaginary figures, as showing the position of an Estate where the Testator had three kinds of investments.

A. 9.—Executors should be recommended to keep such books as may be necessary to fully record their dealings with the estate of the deceased. Unless (under a special power contained in the will) they are carrying on the business of the deceased, the only books necessary in most cases will be a Cash Book and a Ledger. Each should be so ruled as to distinguish between capital and income, in all cases where the will names a beneficiary entitled to receive the whole or a portion of the latter. A *pro formâ* example of an Estate Ledger is appended. It is that of D. Jones (deceased) who died on 29th July 1899, leaving the whole of his estate in trust for his executors to pay his widow an annuity of £250 per annum for life out of the income, and on her death to divide the whole estate equally between his two sons. Mrs. Jones died on 29th January 1900. Income Tax and interest on Estate Duty has been disregarded.

A. 9.—(continued).

CASH.				CONTRA.				Cr.					
Dr.													
1899	£	s	d	1899	£	s	d	£	s	d	£	s	d
July 29	To Cash in house	..	..	Aug. 31	By Estate Duty	..	..	1,187	6	6			
Aug. 3	" at Bank	2,400	0	"	Debits due at death	..	..	710	0	0			
Oct. 3	" Dividend on G.E.R. Stock	200	0	Oct. 29	" Funeral Expenses	..	..	65	0	0			
"	" " Consols	17	18	1900	" Mrs. Jones	..	..	..	..	..	125	0	0
Jan. 5	" " " "	..	..	Jan. 29	"	..	..	..	..	..	125	0	0
Feb. 3	" " G.E.R. Stock	31	10	June 30	" Executorship Expenses	..	..	410	0	0	27	10	0
April 3	" " Consols	..	..	"	" A. Jones	..	..	12,074	16	3	34	13	0
June 29	" Sale of £10,000 Consols	10,500	0	"	" B. Jones	..	..	12,074	16	3	34	13	0
"	" at 100, G.E.R.	..	..	"	"	..	..	..	..	..	..	..	..
"	" £10,000 G.E.R.	10,500	0	"	"	..	..	..	..	..	..	..	..
"	" Stock at 133½	13,350	0	"	"	..	..	..	..	..	..	..	..
		£26,521	19	0				£26,521	19	0	£346	16	0
ESTATE ACCOUNT.								Cr.					
Dr.													
1899	£	s	d	1899	£	s	d	£	s	d	£	s	d
July 29	To Debits due at death	..	..	July 29	By 2½ Consols at 106½	..	..	10,000	0	0	10,637	10	0
"	" Funeral Expenses	..	..	"	" G.E.R. 4% Guaranteed Stock	..	..	10,000	0	0	13,000	0	0
"	" Estate Duty	..	..	"	at 139 ex div. ..	..	..	..	..	..	22	10	0
"	" Balance down	..	..	"	Cash in house	..	..	..	..	..	2,400	0	0
				"	" at Bank	..	..	..	..	..	..	..	..
				"	" Half-year's dividend on	..	..	..	..	..	200	0	0
				"	" G.E.R. Stock	..	..	..	..	..	..	..	..
								£27,160	0	0	£27,160	0	0
1900				1899									
July 29	To Loss on Consols	..	..	July 29	By Balance down	..	..	..	..	..	25,197	13	6
"	" G.E.R. 4% Stock	..	..										
"	" Executorship Expenses	..	..										
"	" Cash—A. Jones	..	..										
"	" " B. Jones	..	..										
											£25,197	13	6

A. 9. (continued).

2½% CONSOLS ACCOUNT.											
Dr.						Cr.					
1899	July 29	£	s	d	To Estate Account..	1899	Oct. 5	£	s	d	By Cash—Dividend
1900	June 30	..	..	..	"	1900	Jan. 5	..	..	..	"
		10,000	0	0	"		April 5	..	..	..	"
		..	..	..	"		June 29	10,000	0	0	" Sale of Stock
		..	..	..	" Income Account..		" 30	..	119	11	" Estate Account.

GREAT EASTERN RAILWAY 4% GUARANTEED STOCK.											
Dr.						Cr.					
1899	July 30	£	s	d	To Estate Account ..	10,000	0	0	£	s	d
"	"	..			" Estate Acc. (dividend due 9/6/99)	..			..		
1900	June 30	..			" Income Account ..	..			..		
						10,000	0	0	10,000	0	0
						200	0	0	..		
						..			..		
						108	9	8	..		
						£14,100	0	0	£14,100	0	0
						£168	9	8	£168	9	8

DEBTS DUE AT DEATH.												
Dr.						Cr.						
1899	Aug. 11	£	s	d		1899	£	s	d			
	To Cash ..	..				July 29				..		
						By Estate Account	..					
							£	s	d	£	s	d
							710	0	0	710	0	0

Q. 10.—What order must be observed by Executors in paying the debts of a deceased person ?

A. 10.—(1) Funeral and testamentary expenses.

(2) Debts due to the Crown.

(3) (i.)—

(a) Parochial and other local rates which have become due within twelve months before death, assessed taxes, land tax, and income tax assessed on deceased up to 5th April before death not exceeding one year's assessment.

(b) Wages of clerks and servants for services within four months of death, not exceeding £50.

(c) Wages of labourers and workmen for services within two months, not exceeding £25.

(Preferential Payments in Bankruptcy Act, 1888.)

(ii.) Debts owing to friendly societies by their officers (59 & 60 Vict. c. 25, s. 35).

(iii.) Debts owing to savings banks from their officers by virtue of their office (26 & 27 Vict. c. 87, s. 14).

(iv.) In case of a person dying subject to military law, certain debts by Regimental Debts Act, 1893.

(4) Judgments against deceased, registered under 23 & 24 Vict. c. 38, s. 3.

(5) Judgments against the legal personal representative for debts of deceased, if judgment signed before date of judgment for administration of the estate.

(6) Recognisances (*e.g.*, of Receiver appointed by Court).

(7) Debts by specialty (including arrears of rent) and simple contract, unregistered judgments against deceased.

(8) Money lent by wife to husband for purposes of his business.

(9) Voluntary bonds and covenants.

RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES,
AND RECEIVERS.

Q. 1.—What has a Liquidator in a Winding-up by the Court to enter in the Record Book?

To whom and when has this book to be submitted?

A. 1.—The liquidator is required to enter in the Record Book all minutes of proceedings held and resolutions passed at any meetings of creditors, or contributories, or of the committee of inspection, and all such matters as may be necessary to give a correct view of his administration of the company's affairs. He is not, however, bound to insert particulars of any document of a confidential nature. The Record Book must be submitted to the committee of inspection not less than once every three months, and forwarded to the Board of Trade whenever the liquidator's accounts are submitted to that body for audit.

Q. 2.—Will a Liquidator be properly discharging his duties by making special efforts to conclude arrangements with Secured Creditors which he considers calculated to benefit the Unsecured Creditors as involving Concessions which the former are not bound to make?

State your reasons for the answer given.

A. 2.—It may be stated in general terms that it is the duty of the liquidator to do his best for all parties interested in the estate; if, therefore, there is reasonable probability of arrangements being concluded with the secured creditors that are calculated to benefit unsecured creditors, it is the liquidator's duty to endeavour to effect such arrangements. When, however, the negotiations are of a speculative character and involve outlay which may, or may not, be recoverable, it would be very

inexpedient for the liquidator to incur such expenditure without the consent of the committee of inspection, or of the creditors in general meeting assembled.

Q. 3.—What funds have to be paid into the Companies' Liquidation Account by the Liquidator in a Voluntary Winding-up, and how is the payment effected?

A. 3.—All money in the hands or under the control of a liquidator, representing dividends which have remained unclaimed or undistributed for six months, must forthwith be paid into the Companies' Liquidation Account. Also all other money in his hands or under his control, representing unclaimed or undistributed assets of the company which have remained unclaimed or undistributed for six months. The amount of such moneys shall be ascertained as on the date to which the statement of receipts and payments sent in to the Registrar of Joint Stock Companies is brought down, and the amount to be paid to the Companies' Liquidation Account shall be the minimum balance of such money which the liquidator has had in his hands or under his control during the six months immediately preceeding the date to which the statement is brought down, less such part as the Board of Trade may authorise him to retain for the immediate purposes of the liquidation. The money must be paid in within fourteen days from the date of the statement.

Payment is effected by applying to the Board of Trade for a paying-in order, which order is an authority to the Bank of England to receive payment. (Companies (Winding-up) Act, 1890, and Rules, 1890, 131, and 1891, 5, (127 (*D*) of 1890).)

Q. 4.—If in the above question the Liquidator requires to resort to such funds for the payment of a taxed bill of costs, by what procedure does he obtain the funds and make the payment?

A. 4.—The liquidator applies to the Board of Trade, and the Board of Trade may either make an order for the payment out to him of the sum required, or may direct cheques to be issued to him for transmission to the persons to whom the payments are to be made. (Companies (Winding-up) Rules, 1897, 6, (132 (a) of 1890).)

Q. 5.—What are your rights, as Trustee in the Bankruptcy of an Actor, as to the earnings of the Bankrupt, who continues to obtain professional engagements, between the date of the Receiving Order and that of his discharge.

A. 5.—The earnings of an actor during bankruptcy under an agreement for his services, come within the scope of Section 53 (2) of the Bankruptcy Act, 1883, and the trustee can apply for an order for the payment over to him of such amount of the salary as is in excess of the amount reasonably sufficient for the support and maintenance of the bankrupt and his family. But no such order can interfere with any disposition of such salary legally made by the bankrupt prior to the intervention of the trustee. The Court will not cut down the bankrupt's means of livelihood too closely. (*Ex parte Shine*, 61 L.J.Q.B. 253 ; [1892], 1 Q.B. 522.)

Q. 6.—You are Trustee in the Bankruptcy of a sole Trader.

A Creditor proves for £50, the balance due to him on an account correctly stated in respect of mutual dealings brought down to the date of the Receiving Order, 30 May.

You find that the balance owing by the Bankrupt was £200 on 15 March.

What are your rights, if you can prove that on that date (15 March) the Creditor had notice of an act of Bankruptcy?

A. 6.—The trustee's title dates from the first act of bankruptcy proved to have been committed within three months previous to

the presentation of the petition. The trustee is entitled to the property of the bankrupt as at that date, subject to the protection granted to *bona fide* transactions without notice. In the case put, the trustee should claim from the trader the £150 paid by the bankrupt between 15th March and 30th May. (Bankruptcy Act, 1883, Sections 43 and 49.)

Q. 7.—Under what circumstances is it your duty as Trustee in Bankruptcy to impugn the validity of a settlement made by the Bankrupt?

(This question may be answered by defining the circumstances under which settlements will be valid against the Trustee.)

A. 7.—The following settlements are void against the trustee :—

(1) Any settlement of property, not being a settlement made before and in consideration of marriage, or made in favour of a purchaser or incumbrancer in good faith and for a valuable consideration, or a settlement made on or for the wife or children of the settlor of property which has accrued to the settlor after marriage in right of his wife, is void against the trustee if the settlor become bankrupt within two years, and is void if the settlor become bankrupt within ten years, unless the person claiming under the settlement can prove that the settlor was able to pay all his debts at the time of the settlement without the aid of the property comprised in the settlement, and that the interest of the settlor in such property passed to the trustee of the settlement on the execution thereof.

(2) Any covenant or contract made in consideration of marriage for the future settlement on or for the settlor's wife or children of any money or property wherein he had not at the date of his marriage any estate or interest, and not being money or property of or in right of his wife, is void on the settlor becoming bankrupt before the property or money has been actually transferred or paid pursuant to the contract or covenant. (Bankruptcy Act, 1883, Section 47.)

Q. 8.—State what are the statutory acts of Bankruptcy under the existing Bankruptcy Law.

A. 8.—A debtor commits an act of bankruptcy :—

(1) By making a conveyance or assignment for the benefit of his creditors generally.

(2) By making a fraudulent conveyance, gift, delivery, or transfer of his property or any part thereof.

(3) By making a conveyance or transfer of his property or any part thereof, or creates any charge thereon which would be void as a fraudulent preference if he were adjudged bankrupt.

(4) By departing out of England, remaining out of England, departing from dwelling-house, otherwise absenting himself, or beginning to keep house with intent to defeat or delay creditors.

(5) If execution is levied against him by seizure of goods under process in any Court or in any civil proceeding in the High Court, and the goods are sold or held by the sheriff for twenty-one days.

(6) By getting a declaration of inability to pay debts or presents bankruptcy petition against himself.

(7) If a creditor has obtained final judgment against him for any amount and has had served on him a bankruptcy notice, and the debtor does not within seven days (further time allowed when service is abroad) after service of the notice comply with the requirements of the notice or satisfy the Court that he has a counterclaim, set-off, or cross-demand equal to or greater than the judgment debt, and which he could not set up in the action in which judgment was obtained.

(8) By giving notice of suspension of payments of debts.

(Bankruptcy Act, 1883, Section 4 (1) ; Bankruptcy Act, 1890, Section 1.)

Q. 9.—You are Receiver appointed by Deed for the Holders of Debentures of a Limited Company which contain a floating charge on all the assets.

On your despatching goods by rail from the Company's Factory to a Branch Dépôt, the Railway Company refuse to deliver them, claiming to hold them against the Company's unpaid account for carriage.

What are your rights in this case, and why?

A. 9.—In the case put the receiver is entitled to the goods. He represents the debenture-holders whose claim on the assets, of which the goods form part, is better and prior to that of the railway company.

Q. 10.—As Receiver appointed by the Court of the whole undertaking and assets of a Limited Company in a Debenture action, you find on proceeding to take possession that a Judgment Creditor for goods supplied has issued execution and put the Sheriff in possession, and that he is about to sell part of the Stock over which the Debenture Security extends.

What is your duty in the matter, and how should you deal with the case?

A. 10.—The duty of the receiver in the case put is to at once give notice to the sheriff that he is in possession as receiver. If the sheriff does not withdraw he is guilty of contempt of Court, and proceedings should be commenced to commit him.

BOOKKEEPING AND ACCOUNTS

(INCLUDING PARTNERSHIP ACCOUNTS).

Q. 1.—What are the value and use of a Journal ?

Journalise the following transactions under such headings as they should appear in the Ledger :—

(a) Depreciation of Plant 5 per cent. on £15,000.

(b) John Jones, Balance due from him, irrecoverable, £260 4s. 3d.

A. 1.—The chief use of a Journal is to provide—in a form convenient for posting into the Ledger—an immediate record, as they occur, of transactions that do not occur sufficiently often to make it desirable for a special book of first entry to be kept for that particular class of transaction. In practice, it will sometimes be found that *all* transactions, other than those relating to cash, come under this category.

Formerly, every transaction used to be journalised, and when that was done the Journal might be regarded as being the book of first entry for the record of all transactions in a form convenient for posting into the Ledger. Incidentally, it then afforded a valuable check upon the accuracy of such postings, in that the total of the Journal should at all times agree with the totals of the Ledger Accounts when extracted in the form of a Trial Balance.

JOURNAL.							Dr.		Cr.	
							£ s d		£ s d	
Depreciation	..	..	..	..	..	..	750	0	0	
To Plant	..	..	..	..	..	..	..		750	0
Being 5% now written off.										
Bad Debts	..	..	..	..	..	..	260	4	3	
To John Jones	..	..	..	..	..	..	..		260	4
Being amount of his Account, now written off as irrecoverable.										

Q. 2.—Prepare Trading and Profit and Loss Accounts and Balance Sheet as on 31st March 1900 from the following particulars, and adjust Partners' Accounts :—

Stocks and Work in Progress, 1st October 1899	..	..	£10,000
Materials purchased	..	..	13,000
Wages ..	..	..	5,000
Trade Charges	..	..	3,700
Interest on Loans ..	..	..	700
Sales ..	..	..	28,000
Commissions allowed on Sales	..	..	300
Received for Cartage	..	..	40
Stocks and Work in Progress, on 31st March 1900	..	..	12,000
Partners' Capital—A. £25,900	}	1st October 1899 ..	.. 50,900
B. 12,500			
C. 12,500			
Creditors on Open Accounts	..	..	22,000
Bank Overdraft	..	..	6,500
Bills payable	..	..	1,800
Provision for Wages, &c.	..	..	1,200
Land and Buildings	..	..	48,000
Plant ..	..	..	12,000
Tools ..	..	..	2,500
Patterns and Drawings	..	..	5,000
Office Furniture	..	..	140
Debtors..	..	..	5,000
Cash ..	..	..	100

Provide 5 per cent. per annum for depreciation on Plant.

„ 10 „ „ „ Patterns and Tools.

„ 2 „ „ „ for Discounts and Allowances on Book Debts.

„ Interest on Partners' Capital at 5 per cent. per annum.

The Partners are entitled to share in the profits or contribute to the loss in the following proportions :—A. $\frac{1}{3}$, B. $\frac{1}{3}$, C. $\frac{1}{3}$.

A. 2.—

BALANCE SHEET, March 31st 1901.

<i>Liabilities.</i>		£ s d		£ s d		<i>Assets.</i>		£ s d		£ s d	
A.'s Capital Account :—											
Balance 1st Oct. 1899 ..	..	25,900 0 0				Land and Buildings ..		12,000 0 0		48,000 0 0	
Add Interest at 5% per annum ..	..	647 10 0				Plant ..		300 0 0			
						Less Depreciation at 5% per annum ..					
Add Share of Net Profit ..	..	26,547 10 0		26,693 15 0		Tools ..		2,500 0 0		11,700 0 0	
						Less Depreciation at 10% per annum ..		125 0 0			
B.'s Capital Account :—						Patterns and Drawings ..		5,000 0 0		2,375 0 0	
Balance 1st Oct. 1899 ..	..	12,500 0 0				Less Depreciation at 10% per annum ..		250 0 0			
Add Interest at 5% per annum ..	..	312 10 0				Office Furniture ..		..		4,750 0 0	
						Stock on Hand March 31st ..		..		140 0 0	
Add Share of Net Profit ..	..	12,812 10 0		12,885 12 6		Sundry Debtors ..		5,020 0 0		12,000 0 0	
						Less Reserve for Discount and Allowances ..		100 0 0			
C.'s Capital Account :—						Cash in Hand ..		..		4,000 0 0	
Balance 1st Oct. 1899 ..	..	12,500 0 0								100 0 0	
Add Interest at 5% per annum ..	..	312 10 0									
Add Share of Net Profit ..	..	12,812 10 0		12,885 12 6							
Bills Payable ..	..	..									
Trade Creditors ..	..	..									
Bank Overdraft ..	..	..									
Provision for Wages ..	..	..									

A. 2.—(continued).

TRADING ACCOUNT for the Half-year ended 31st March 1900.			
Dr.	£	s	d
To Stocks and Work in progress, 1st Oct. 1899	10,000	0	0
" Purchases	13,000	0	0
" Wages	5,000	0	0
" Balance to Profit and Loss A/c	7,000	0	0
	£35,000	0	0
	£	s	d
By Sales	23,000	0	0
" Stocks and Work in progress, 31st March 1900	12,000	0	0
	£35,000	0	0
	£	s	d
	23,000	0	0
	12,000	0	0
	£35,000	0	0

PROFIT AND LOSS ACCOUNT for the Half-year ended 31st March 1900.			
Dr.	£	s	d
To Trade Charges	3,700	0	0
" Commission on Sales	300	0	0
" Interest on Loans	700	0	0
" Capital	1,272	10	0
" Discounts and Allowances	100	0	0
" Depreciation	675	0	0
	6,747	10	0
	£	s	d
By Balance from Trading Account (being Gross Profit for Half-year)	7,000	0	0
" Amount received for Cartage	40	0	0
	£7,040	0	0

PROFIT AND LOSS ACCOUNT for the Half-year ended 31st March 1900.			
Dr.	£	s	d
To Trade Charges	3,700	0	0
" Commission on Sales	300	0	0
" Interest on Loans	700	0	0
" Capital	1,272	10	0
" Discounts and Allowances	100	0	0
" Depreciation	675	0	0
	6,747	10	0
	£	s	d
By Balance from Trading Account (being Gross Profit for Half-year)	7,000	0	0
" Amount received for Cartage	40	0	0
	£7,040	0	0

Q. 3.—What is an Income and Expenditure Account, and wherein does it differ from an account of Receipts and Payments ?

A. 3.—The difference is that, whereas the former takes cognisance of outstandings and shows as a balance the excess of income over expenditure (or the reverse), the latter deals with cash items only, and shows as a balance the excess of receipts over payments (or the reverse). An Income and Expenditure Account is, for all practical purposes, a summary of the Nominal Accounts of a set of books kept by double-entry. The balance is, therefore, net profit or loss for the period, and the income is placed upon the credit side and the expenditure upon the debit side. An Account of Receipts and Payments, on the other hand, is a summary of the Cash Account. It opens with the cash balance at the commencement of the period, shows the receipts on the debit side and the payments on the credit side, and closes with the cash balance at the close of the period. If there were absolutely no outstandings, either at the commencement or close of the period, and no receipts or payments on account of capital, the two accounts would, of course, be identical as regards items; but even then the balance shown would be different, seeing that the Receipts and Payments Account would commence with the balance of cash in hand, whereas the Income and Expenditure Account would commence with the surplus (or deficiency) of income over expenditure brought forward from previous periods.

Q. 4.—The totals of certain columns in a Columnar Cash Book at the end of the month are as follows :—

On the debit side :

Discounts	..	..	..	£156	4	8
Cash Sales	..	..	..	320	6	9

On the credit side :

Discounts..	..	..	..	260	4	3
Petty Expenses	..	..	..	70	3	2
Wages	..	..	..	900	6	8

How would you bring these items into the Ledger ? Give your reasons.

A. 4.—Leaving the discounts upon one side for the moment, the Cash Sales would be posted to the credit of Cash Sales Account in the Ledger, Petty Expenses to the debit of Petty Expenses Account, and Wages to the debit of Wages Account, the reason being that the Cash Book being a Ledger Account the corresponding entries required to complete the double-entry must necessarily be made to the opposite side of some other account. The discount columns, however, stand upon a different footing. The total of £156 4s. 8d. upon the debit side of the account indicates that individual postings have been made to the credit side of the Ledger amounting to £156 4s. 8d. more than the actual cash received. There is therefore for the moment an incompleteness in the double-entry to the extent that the credits exceed the debits by £156 4s. 8d. This total has, therefore, to be debited to the Discount Account in the Ledger. Correspondingly, the discounts upon the credit side of the Cash Book must be posted to the credit. The reason for this apparent discrepancy between the discount columns and the other columns is that, whereas the other columns are integral parts of the Cash Book (which is of itself a Ledger Account), the discount columns are in effect Journal (or Day Book) entries, the details of which have been posted to one side of the Ledger, so that to complete the double-entry the total must be posted to the other side. This apparent discrepancy may, however, be avoided entirely by transferring the total to the opposite side of the Cash Book in the discount column in each case, so that the total of the two discount columns may be made to agree.

Q. 5.—A., B., and C. are in Partnership. A.'s capital is £5,000, B.'s £3,000, C.'s £2,000. Profits are to be divided as follows : A. one-half, B. one-third, C. one-sixth, after charging Interest upon Capital at 5 per cent. per annum and allowing Salaries of £400 a year to each partner.

The Profits of the year available for division as above amount to £3,600. Show the division and adjust the Capital Accounts, taking into account that the drawings of each partner amounted to £300.

A. 5.—(continued).

B.—CAPITAL ACCOUNT.										Cr.			
Dr.				£ s d				£ s d					
Dec. 31	To Drawings	..	..	Jan. 1	By Balance	..	..	Dec. 31	By Interest	..	..		
	" Balance down	..	..		" "	" Share of Profit	..		..	" "	" "	..	..
	</												

C.—CAPITAL ACCOUNT.										Cr.		
Dr.		£	s	d		£	s	d		£	s	d
Dec. 31	To Drawings	..	..	..	Jan. 1	By Balance	..	..	..	2,000	0	0
	" Balance down	..	..	..	Dec. 31	" Interest	..	..	..	100	0	0
					" "	" Share of Profit	..	..	..	316	13	4
										<u>£2,416</u>	<u>13</u>	<u>4</u>
					Jan. 1	By Balance down	..	..	..	<u>£2,116</u>	<u>13</u>	<u>4</u>

Note :—If salaries have not been regularly drawn, an additional £400 must be credited to each partner's Capital Account.

Q. 6.—Brown and Jones engage in a joint speculation in Timber, the former being in Russia and the latter in England.

A banking account in their joint names is opened on 10th February 1900. Brown pays in £500 and Jones £660.

The following are the transactions :—

1900.

15 Feb.	Bought Cargo in Riga from L. Sandherr valued £632, less discount at 5 per cent.	..	..	£600	8	0
	Accepted Sandherr's draft at 3 m/d	..	..	600	8	0
17 "	Paid Expenses loading at Riga	..	..	28	9	6
	Paid Freight to Hull	..	..	98	17	9
23 Mar.	Sold Robinson, Logs	..	..	165	18	0
	Received cash, less 2½ per cent.	..	..	157	12	2
24 "	Bought from M. Reimann for cash, Cargo of Timber, net	..	..	933	0	0
29 April	Paid Shipping Charges and Freight	..	..	213	0	0
24 "	Sold M. Johnson—Deals, net	..	..	337	0	0
	Received his acceptance at two months	..	..	337	0	0
17 May	Sold J. James—Cargo purchased from Reimann, net	..	..	1,260	0	0
	Received his acceptance at one month	..	..	1,260	0	0
30 June	Stock—Balance of Sandherr's Cargo, valued at	..	..	311	0	0

On 30th June the speculation was closed by Jones taking over the Stock at the agreed value of £311, less 10 per cent.

Adjust the accounts as between the Partners at 30th June 1900, allowing interest on the amounts deposited at 5 per cent.

A. 6.—

JOURNAL, 1900.

15 February.						£	s	d	£	s	d
Timber Account	..	..	..	..	..	600	8	0			
To L. Sandherr	..	..	..	..	..	..	..	..	600	8	0
L. Sandherr	..	..	..	..	..	600	8	0			
To Bills Payable	..	..	..	..	..	..	..	..	600	8	0
23 March.											
Robinson	..	..	..	..	..	165	18	0			
To Timber	..	..	..	..	..	..	..	..	165	18	0
24 April.											
M. Johnson	..	..	..	..	..	337	0	0			
To Timber	..	..	..	..	..	..	..	..	337	0	0
Bills Receivable	..	..	..	..	..	337	0	0			
To Johnson	..	..	..	..	..	..	..	..	337	0	0
17 May.											
J. James	..	..	..	..	..	1,260	0	0			
To Timber	..	..	..	..	..	..	..	..	1,260	0	0
Bills Receivable	..	..	..	..	..	1,260	0	0			
To J. James	..	..	..	..	..	..	..	..	1,260	0	0
30 June.											
Jones (Capital Account)	..	..	..	..	..	279	18	0			
To Timber	..	..	..	..	..	..	..	..	279	18	0
Interest	..	..	..	..	..	11	19	5			
To Jones (Capital Account)	..	..	..	..	..	..	..	..	7	2	10
Brown	..	..	..	..	..	..	..	..	4	6	7
Timber	..	..	..	..	..	19	15	3			
To Interest and Discount Account	..	..	..	..	..	..	..	..	19	15	3

A. 6.—(continued).

Dr.		CASH CONTRA.				Cr.			
1900		£	s	d	1900		£	s	d
Feb. 10	To Brown—Capital Account	..	..	0 0	Feb. 17	By Expenses loading at Riga	..	28 9 6	
" "	" Jones—	..	..	660 0 0	" "	" Freight to Hull	..	98 17 9	
Mar. 23	" Robinson ..	..	8 5 10	157 12 2	Mar. 24	" Cargo of Timber	..	933 0 0	
					Apr. 29	" Shipping Charges and Freight	..	213 0 0	
					June 30	" Balance down	..	44 4 11	
								£1,317 12 2	
July 1	To Balance down	..	..	£44 4 11					

BALANCE SHEET, 30th June 1900.							
Liabilities.		Assets.					
Capital Account, viz. :—	£	s	d	Bills Receivable	£	s	d
Brown	578	16	9	Cash at Bank	..	..	..
Jones	462	0	2		..	..	..
Bills Payable	..	..	1,040 16 11		..	..	..
	..	..	600 8 0		..	..	..
			£1,641 4 11				£1,641 4 11

A. 6.—(continued).

BROWN—CAPITAL ACCOUNT.									
Dr.					Cr.				
1900					1900				£ s d
June 30	To Balance down ..	..	..	..	Feb. 10	By Cash ..	..	..	500 0 0
					June 30	" Interest ..	..	..	9 11 9
					" "	" Share of Profits..	..	..	69 5 0
									<u>£578 16 9</u>
					July 1	By Balance down ..	..	..	<u>£578 16 9</u>
JONES—CAPITAL ACCOUNT.									
Dr.					Cr.				
1900					1900				£ s d
June 30	To Timber ..	..	..	..	Feb. 10	By Cash ..	..	..	660 0 0
" "	" Balance down ..	..	..	..	June 30	" Interest ..	..	..	12 13 2
					" "	" Share of Profits	..	..	69 5 0
									<u>£741 18 2</u>
					July 1	By Balance down ..	..	..	<u>£462 0 2</u>

A. 6.—(continued).

JOHNSON.					
Dr.			Cr.		
1900	1900	£ s d	1900	£ s d	1900
Apr. 24	Apr. 24		Apr. 24		
To Timber		337 0 0	By Bills Receivable	.. ..	337 0 0
J. JAMES.					
Dr.			Cr.		
1900	1900	£ s d	1900	£ s d	1900
May 17	May 17		May 17		
To Timber		1,260 0 0	By Bills Receivable	.. ..	1,260 0 0
BILLS RECEIVABLE.					
Dr.			Cr.		
1900	1900	£ s d	1900	£ s d	1900
Apr. 24	June 30		June 30		
May 17					
To Johnson		337 0 0	By Balance down	.. ..	1,597 0 0
" J. James		1,260 0 0			
		£1,597 0 0			£1,597 0 0
July 1		£1,597 0 0			
To Balance down					
INTEREST AND DISCOUNT.					
Dr.			Cr.		
1900	1900	£ s d	1900	£ s d	1900
June 30	June 30		June 30		
" "					
" "					
To Jones		12 13 2	By Timber Account	.. ..	30 10 9
" Brown		9 11 9			
" Sundries (per C.B.)		8 5 10			
		£30 10 9			£30 10 9

Q. 7.—What is a Balance Sheet ?

Give an example of that of a Company with limited liability.

A. 7.—A Balance Sheet is a summary in a convenient form of the Ledger balances of a set of books kept by double-entry compiled after the various Nominal Accounts have been closed. It is therefore for all intents and purposes a statement of assets and liabilities, but in practice it may include among the assets many items that are not, strictly speaking, of realisable value, and many liabilities that do not imply an obligation to pay any outside party. The justification, however, for the inclusion of these items is that the former may properly be *for the time being* treated as assets, and the latter as liabilities. The following is an example of the Balance Sheet of a limited liability company :—

Q. 8.—The Balance Sheet of A. and B. (equal partners) on the 1st January 1900 was found to be as follows :—

Capital.					Freehold Property ..	£9,500	0	0
A.	£20,100	0	0		Plant, Machinery, and			
B.	9,650	0	0		Tools	3,000	0	0
Creditors	2,400	0	0		Stock	9,450	0	0
Reserve	2,100	0	0		Debtors, after allowing			
					for discounts	11,400	0	0
					Cash	900	0	0
	<u>£34,250</u>	<u>0</u>	<u>0</u>			<u>£34,250</u>	<u>0</u>	<u>0</u>

It was agreed to take C. into partnership on condition that he paid a sum of £2,000 for Goodwill (to be left in the business), and brought in £8,000 Capital. A. and B. on their part agreed to allow £1,000 of the Reserve to remain as a provision for Bad Debts, to allow 5 per cent. off the Plant, Machinery, and Tools, and 1 per cent. off the Freehold Property.

Make the necessary adjustments and compile the Balance Sheet of the new partnership.

A. 8.—

BALANCE SHEET, 1st January 1900.

<i>Liabilities.</i>		<i>Assets.</i>	
Capital Accounts :—			
A. ..	£ s d	Freehold Property ..	£ s d
B. ..	21,527 10 0	Plant, Machinery and Tools ..	9,405 0 0
C. ..	11,077 10 0	Stock ..	2,350 0 0
	8,000 0 0	Debtors (less Reserves) ..	9,450 0 0
		Cash ..	10,400 0 0
Creditors ..	..		10,900 0 0
			£43,005 0 0

Q. 9.—What is meant by :—

(a) Fixed Assets.

(b) Floating Assets.

(c) Wasting Assets.

Give an example of each.

A. 9.—(a) Fixed assets are assets permanently held by an undertaking for the purpose of equipping it to carry on its business and earn revenue.

(b) Floating assets, on the other hand, are those which it is the object of the undertaking to, with all convenient speed, convert into cash, including, of course, cash itself.

(c) Wasting assets are assets which, in the ordinary course of events, decrease in value, either by wear and tear, by the progress of invention, or by the effluxion of time.

The following are examples :

Machinery is a fixed asset with an ordinary manufacturing company, but (if made for purposes of sale) a floating asset in the accounts of an engineering company. *Houses* are ordinarily a fixed asset, but in the accounts of a speculative builder would be floating assets. With regard to wasting assets, all classes of machinery waste by reason of wear and tear, and many by reason of the progress of invention ; while leaseholds and patents are a good example of depreciation arising from the lapse of time.

Q. 10.—In a manufacturing business, on what principle should the stocks and work in progress be taken on balancing the books ?

A. 10.—The cardinal principle is that they should be included in the accounts at such a figure as will allow the subsequent period its full measure of profit in respect of whatever work may have to be done in that subsequent period. A further margin should, of course, also be made for contingencies, and, wherever there is any difficulty in obtaining the necessary data, the margin should be ample for all possible contingencies.

AUDITING.

Q. 1.—What is a Pass Book? Under what conditions and for what purpose would the following be available in the course of the respective audits?

- (1) Bankers' Pass Books in the audit of a Manufacturing Company.
- (2) Depositors' Pass Books in the audit of a Savings Bank.
- (3) Tradesmen's Pass Books in a Hotel audit.

A. 1.—A Pass Book is a book showing the account current between one person, firm, or corporation, and another, so-called presumably because it is at frequent intervals "passed" from one party to the other for the purpose of being made up.

(1) The Banker's Pass Book is here available for the purpose of affording independent evidence as to the balance of the account current between the Manufacturing Company and its Bankers, although, of course, a Reconciliation Account will probably have to be prepared to explain the difference between the balance shown by the Company's Cash Book and by the Banker's Pass Book. The latter is not, of course, conclusive evidence as to the position of affairs, because the Pass Book produced may be a forgery. The balance shown thereon should, therefore, be certified by the Bankers in a communication addressed direct to the Company's Auditors.

(2) The Depositors' Pass Books are here available to check the Ledger Accounts of the various Depositors in the Savings Bank's Ledger. The Pass Book being normally in the custody of the Depositor, it is to be assumed that he admits the correctness of the balance shown therein. It is, however, generally practically impossible to secure the production of every single Depositor's Pass Book at the audit, and that being so it must be

borne in mind that any Pass Books that a dishonest official might desire to suppress would probably *not* be produced. An additional safeguard would be to require the Trustees to compare all Pass Books with the Ledger every time they are produced, and to initial the Ledger at such times; while, where practicable, it would be convenient for the Auditor himself to occasionally attend when the Bank is open to business and to perform the like office.

(3) The Tradesmen's Pass Books in a Hotel audit are required for the purpose of vouching the payments to tradesmen (the receipt of which is acknowledged therein), and also in order to verify the outstanding amounts due to such tradesmen at the date of balancing.

Q. 2.—If you were instructed to verify the current banking account of a firm and found that the balance shown by the Pass Book and confirmed by the Bankers agreed with the balance shown by the account in the firm's books, would you consider it necessary or not necessary to make any further comparison of the Pass Book with the entries in the firm's account, and for what reasons?

A. 2.—If there were no reasonable ground for suspicion no further examination would be required, but in practice it would be practically impossible to prepare a really reliable Reconciliation Account without comparing the Pass Book with the Cash Book in detail. In cases where suspicious circumstances arose it would be important that a detailed examination should be made item for item, particular attention being directed to the dates of the corresponding entries, and also in some cases to the details on the counterfoils of the Paying-in Book as compared with the corresponding details in the Cash Book itself, as defalcations are not infrequently concealed by entirely omitting to account in the Cash Book for moneys received, while, perhaps, these same moneys (having been received by cheque) have been

paid into the bank, and a corresponding amount of money received in cash abstracted.

Q. 3.—Give a short account of the actual work done in connection with some audit, the knowledge of which you have acquired by practice or observation, and state the trade or business to which the said audit relates.

A. 3.—No general answer to a question of this kind can be altogether profitable, nor—for the purposes of this publication—would anything be gained by giving a detailed answer under any particular set of circumstances. The following general outline may, however, prove useful to the Student :—

It is to be assumed, in the first place, that there is submitted to the auditor a Balance Sheet, Trading and Profit and Loss Account of the undertaking, and also a Trial Balance. Attention should first be directed to the technical accuracy of the Trial Balance. If practicable, the whole of the Ledger postings should be called back in detail, but should this be impossible on account of their number, and unnecessary on account of the facilities of internal check afforded by the system of accounts, the postings that do not relate to money (and, in extreme cases, all the postings of the Trade Ledgers) may be checked in totals. All the entries in the Cash Book, however, and in the Journals must be vouched for the most part in detail, but purchase invoices may be regarded as being vouched by a system of check leading up to the initialling of the periodical statements by a responsible official, and the sales invoices by a corresponding system. This portion of the work being done the technical accuracy of the accounts is assured, and it remains only for the auditor to satisfy himself that the Balance Sheet and Profit and Loss Account compiled from the Trial Balance not merely agree with the entries in the books, but are actually in accordance with the facts. For this purpose the

Profit and Loss Account should be carefully scrutinised with a view to enquiring whether the amounts disclosed are reasonable in a business of that description, and whether due provision has been made for all normal expenditure reasonably likely to occur, as, for instance, depreciation, bad debts, etc. Similarly, the Balance Sheet must be taken item by item, the existence of the various assets ascertained (or, when made up of innumerable items, fully certified), and the exhaustiveness of the liabilities similarly tested by a careful enquiry, supplemented by an inspection of subsequent statements of account. Any items included upon the assets' side other than tangible assets must be carefully enquired into with a view to seeing that they may properly be regarded for the time being as assets, while some of the items included upon the liabilities' side by way of reserves must also be scrutinised with a view to ascertaining the circumstances under which they have been created, a careful distinction being drawn between those which are real liabilities or Suspense Accounts, and those which are fictitious liabilities or accumulated profits. All these enquiries and investigations having been completed the auditor is in a position to certify as to the correctness both of the Profit and Loss Account and of the Balance Sheet.

Q. 4.—If you were informed by the Secretary of a Limited Company that you had been appointed Auditor (the late Auditor having died), what documents or written information (if any) would you apply for before commencing your duties? Give reasons for your requirements.

A. 4.—Under these circumstances the auditor will require to have submitted to him a copy of the company's Memorandum and Articles of Association, and of the last certified Balance Sheet and Accounts, in addition, of course, to the accounts which he is now required to certify. The first-named are necessary to enable him to see whether there are any special

requirements or duties devolving upon him as auditor, and the second named so that he may have a definite starting-point for his present investigation. A newly-appointed auditor will not, however, be responsible for the accuracy of the previously certified accounts.

Q. 5.—Describe the process by which an Auditor would verify the correctness or otherwise of the following asset appearing in the Balance Sheet of a Manufacturing Company—namely, “Sundry Debtors on open accounts, £20,506 11s. 1d.”

A. 5.—The amount being somewhat large the auditor's investigation might reasonably be limited as follows:—

- (a) See that the Trial Balance as a whole agrees.
- (b) See that the Sales Ledgers, taken separately, agree.
- (c) Test in detail the accuracy of the balances extracted from one or more Ledgers.
- (d) Obtain the certificates of responsible officials that the total amount of £20,506 11s. 1d. is actually due, and is expected to be received after due provision for bad and doubtful debts and discounts.
- (e) Test the accuracy of this certificate in the case of at least one Ledger by a careful scrutiny of the items, noting and making full enquiry in connection with all overdue accounts.

If the above investigation raises no point that induces the auditor to be suspicious as to the accuracy of the certificate he has received, he will be justified in passing the item as correct.

Q. 6.—If in the accounts of the “Sundry Debtors” mentioned in the preceding question a number of the balances due from customers included a number of items for goods supplied “on sale or return” treated as ordinary debts, the amount being considerable, what alteration (if any) would you require to be made, and state how you would arrive at the amount of such alteration?

A. 6.—The item “Sundry Debtors” must be reduced by the amount attributable to goods in the hands of customers supplied on sale or return. Trading Account must be debited with the gross profit erroneously taken credit for in respect of these items, and the cost price of the goods (subject to any depreciation that may appear to be necessary) may be either added to Stock-in-Trade, or shown as a separate item in the accounts.

Q. 7.—If you were auditing the accounts of a trust, by what means, or in what way, would you verify the receipts on account of Income where the estate consisted of Land and Houses (producing rents), Stocks, Shares, Debentures, and Cash on deposit with Bankers?

A. 7.—In each case enquiry should first be directed to the amount of income that ought, under normal circumstances, to have been actually received, and, the total being ascertained, enquiry should then be directed to carefully following up in detail any discrepancy between such total and the total income actually received. In so far as the difference consists of income accrued but not due, it may safely be regarded as being in order; but income overdue suggests the possibility of loss both of interest and of capital, while absence of income in the case of land and houses is a matter that should be fully enquired into and certified by responsible officials before it can be passed.

Q. 8.—How should a Banking Company deal with interest debited to an overdrawn account which is not fully secured, and of which payment could not be immediately enforced without the probability of a consequent loss? Give reasons for the view expressed in your answer.

A. 8.—It is probably desirable that any interest chargeable against the account should be debited thereto, so that the account may show the actual amount that the bank is entitled to recover; but under the circumstances named in the question, no credit

should be taken for such income in the current Profit and Loss Account, or, at all events, not without provision for a corresponding amount being made to "Reserve for Bad and Doubtful Debts."

Q. 9.—What do you understand by inscribed stock? Name a stock of that description, and state how you would verify an amount of such stock appearing in a Balance Sheet.

A. 9.—Inscribed Stock is stock in respect of which the investor holds no certificate that an auditor could regard as evidence of title. For example, Consols are an inscribed stock—that is to say, the investor's name is "inscribed" in the books of the business house acting as the Registrar of the stock, in this case the Bank of England. In order to verify an investment of Consols, therefore, it is necessary to apply to the Bank of England for a certificate to the effect that Consols to a specified amount were still invested in the names of the persons in question at the close of business on the date named in the Balance Sheet.

Q. 10.—In the audit of a Company's accounts for a year in which the Company had made a loss, or no profit available for dividend, would it be necessary to distinguish, as particularly as in other years, when a dividend was payable, between expenditure on Capital Account and expenditure chargeable against Income or Profit, and why? If the Company had Buildings, Machinery, and Plant, what would be your views with respect to depreciation in such year?

A. 10.—The necessity for distinguishing between Capital and Revenue expenditure is not so imminent under the circumstances named, but it can hardly be regarded as being less important. The reason for this is that the accounts for a particular period, having been once audited, certified, and passed by the shareholders, cannot well be re-opened upon any point arising in

connection with that particular period; while if a new auditor were appointed, it would be no part of his duty to go back into a period prior to that in respect of which his present audit related. As a matter of strict law, probably an auditor would not be held liable save for consequences directly arising from his negligence, and such consequences could hardly give ground for damages unless a dividend were improperly declared; but the negligence of an auditor in not charging all Revenue expenditure against Profit and Loss Account in a year where the results showed a loss might have the effect of causing *subsequent* profits to be distributed by way of dividend when they ought in the first instance to be applied towards extinguishing the losses previously incurred. So that, although the importance of distinguishing between Capital and Revenue may not be immediately apparent, it is none the less existent because the accounts for the time being do not show a profit.

FINAL EXAMINATION, JUNE 1901.

BOOKKEEPING AND ACCOUNTS

(INCLUDING EXECUTORSHIP ACCOUNTS).

Q. 1.—A. owes B. £6,000, for which B. receives two acceptances of A. for £3,000 each, payable at 3 and 4 months respectively from the 1st January 1900, which B. discounts with his bankers. When the first bill falls due, A. requests B. to assist him in taking it up by providing £1,500 in cash, and drawing a bill for that amount at 3 months from the due date of the first bill, plus interest at 5 per cent. per annum, which B. does, and the last-mentioned bill is duly met by the acceptor at maturity. Shortly before the second bill for £3,000 falls due, A., being unable to provide for it, asks B. to assist him to the extent of £2,500. B., however, is not in a position to do this, and, as he is unable to discount with his bankers more of A.'s acceptances, he arranges for A. to draw upon him two bills for £1,168 16s. 6d. and £1,371 3s. 6d. respectively, which he accepts and remits to A., who discounts them with his bankers, and, assisted by the proceeds, takes up his second acceptance for £3,000.

Prepare the entries in B.'s books—Bill Books, Journal, and Ledger—giving effect to the foregoing transactions.

A. 1.—These transactions can be most concisely shown by the employment of Bill Ledgers, but as the question specifically states Bill Book, Journal, and Ledger, they have accordingly been used in the following answer:—

A. 1.—(continued).

BILLS PAYABLE, 1900.

No. of Bill	When Accepted 1900	Drawer	To Whom Payable	On Whose Account	Date of Bill 1900	Term	When due												Amount of Bill	Remarks
							J.	F.	M.	A.	M.	J.	J.	A.	S.	O.	N.	D.		
1	May 4	A.	A.	A.	May 4	?													£ s d	
2	"	"	"	"	"	"													1,168 16 6	
																			1,371 3 6	
																			£2,540 0 0	
																			(3)	

BILLS RECEIVABLE, 1900.

No. of Bill.	When Received 1900	From whom Received	Drawers	Acceptors	Where Payable	Date of Bill 1900	Term	When Due												Fo.	Amount of Bill	Remarks																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
								J.	F.	M.	A.	M.	J.	J.	A.	S.	O.	N.	D.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
1	Jan. 1	A. ..	B. ..	A. ..	—	Jan. 1	3 months	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...</

A. 1.—(continued).

JOURNAL, 1900.

April 4	A.	..	..	..	..	..	..	..	..	£ s d		
										£	s	d
		To Interest ..	..	..	..	..	..	..	..	18	15	0
			..	..	..	..	..	..	..	..	..	18 15 0
A.												
Dr.	1900	Jan. 1	April 4	May 4	..	..	..	..	..	..	..	Cr.
	To Balance ..	..	..	..	..	..	..	..	..	..	..	
	" Cash ..	..	..	..	..	..	..	..	..	..	..	
	" Interest ..	..	..	..	..	..	..	..	..	..	..	
	" Bills Payable ..	..	..	..	..	..	..	..	..	..	..	
	" do. ..	..	..	..	..	..	..	..	..	..	..	
		£	s	d	1900	Jan. 1	..	..	..	..	..	
		6,000	0	0	0	0	0	0	0	0	0	
		1,500	0	0	0	0	0	0	0	0	0	
		18	15	0	0	0	0	0	0	0	0	
		1,168	16	6	6	6	6	6	6	6	6	
		1,371	3	6	6	6	6	6	6	6	6	
		By Bills Receivable ..	..	..	..	..	..	..	..	..	..	
		" do. ..	..	..	..	..	..	..	..	..	..	
		" do. ..	..	..	..	..	..	..	..	..	..	
			£	s	d	3,000	0	0	0	0	0	
			3,000	0	0	0	0	0	0	0	0	
			1,518	15	0	0	0	0	0	0	0	
BILLS RECEIVABLE.												
Dr.	1900	Apr. 30	To Sundries per B. B.	£	s	d	1900	Jan. 1	By Cash and Discount	£	s	d
				7,518	15	0	0	0		6,000	0	0
BILLS PAYABLE.												
Dr.	1900	May 31	By Sundries per B. B.	£	s	d	1900	May 31	By Sundries per B. B.	£	s	d
										2,540	0	0

Q. 2.—Given a set of books kept by single-entry, with instructions to prove their accuracy by double-entry (but not by creating a new set of books), how would you proceed? Deal in the manner you suggest with the following accounts:—

JOHN SMITH.

1900.	£	s	d	1900.	£	s	d
Nov. 1. To Balance ..	7	10	0	Nov. 16. By Cheque ..	17	0	0
" 10. " Goods ..	10	0	0	" 16. " Allowances for			
" 11. " Carriage ..	1	10	0	Returns ..	2	0	0
" 30. " Bill ..	20	0	0	" 30. " Goods ..	25	0	0

PETER BROWN.

1900.	£	s	d	1900.	£	s	d
Nov. 2. To Cheque ..	3	0	0	Nov. 1. By Balance ..	13	0	0
" 7. " do. ..	5	0	0				
" 1. " Returns ..	6	0	0				

THOMAS JONES.

1900.	£	s	d	1900.	£	s	d
Nov. 10. To Goods ..	5	0	0	Nov. 11. By Cheque..	5	0	0
" 12. " Cheque returned	5	0	0				
" 14. " Charges..	1	1	0				

MATTHEW SMITH.

1900.	£	s	d	1900.	£	s	d
Nov. 1. To Balance ..	60	0	0	Nov. 29. By Acceptance ..	150	0	0
" 10. " Goods ..	30	10	0				
" 10. " Carriage ..	1	10	0				
" 29. " Cheque..	60	0	0				

GEORGE ROBINSON.

1900.	£	s	d	1900.	£	s	d
Nov. 6. To Cheque..	45	0	0	Nov. 1. By Balance ..	90	0	0
" 8. " Charges ..	4	10	0				
" 15. " Cheque..	30	0	0				
" 20. " Goods ..	100	0	0				

ARTHUR SHAW.

1900.				1900.				
		£	s	d		£	s	d
Nov. 10.	To Goods ..	..	70	0	Nov. 16.	By Returns ..	22	0
" 10.	" Carriage ..	..	7	0	" 16.	" Allowance ..	10	0
" 10.	" Charges ..	..	2	0	" 30.	" Cheque.. ..	47	0

A. 2.—In practice, the most convenient method of dealing with the matter would very much depend upon circumstances, such as the number of Ledger Accounts, the period to be covered by the examination, and the average number of entries in each account. In most cases where the amount of work is heavy, the best way to proceed would undoubtedly be to call back the Ledger postings *from* the Ledger *into* the subsidiary books, and to extract those entries in the Ledger which do not come from any subsidiary book. By this means all the materials for the completion of the double entry could be readily obtained. Where the number of transactions per account is not numerous, however, a somewhat quicker method is to tabulate each Ledger Account in something like the following form. The vertical totals of the various columns should be checked by agreement with the totals of the various subsidiary books, so far as the latter exist, and, subject thereto, the tabulated accounts may be regarded as correct.

Q. 3.—Prepare a form of Cost Sheet of a Colliery or Manufacturing Concern.

A. 3.—The following is a good form of Cost Sheet for colliery undertakings:—

A. B. COLLIERY CO., LIM.

Abstract of Pay Sheet and Business for Fortnight ending

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		Production				Cost of Producing		Total Working Expenses	
		Coal	Slack	Total		Rate	Amount	Rate	Amount
		T. C.	T. C.	T. C.	T. C.		£ s d		£ s d
No. Pit	Colliers								
	{ Pitmen }								
	{ Banking, Screening and Loading .. }								
No. Pit	Colliers								
	{ Pitmen }								
	{ Banking, Screening and Loading .. }								
No. Pit	Colliers								
	{ Pitmen }								
	{ Banking, Screening and Loading .. }								
No. Pit	Colliers								
	{ Pitmen }								
	{ Banking, Screening and Loading .. }								
	Tons ..								
Total Colliers' Wages									
.. Pitmen do.									
.. Wages for Banking, Screening and Loading									
GENERAL SURFACEMEN.									
	Smiths								
	Carpenters and Sawyers ..								
	Shunting Wagons								
	Labourers								
	Local Wharf								
	Masons								
(Here will be inserted items of expenditure under such headings as timber, iron, steel, ropes, powder, and fuse, &c., &c., worked out at rates on the tonnage raised.)									
Total						..	..	£	

Q. 4.—Give a list of the books necessary for properly recording the transactions of a Chartered Accountant, including Time Accounts with his clients, and the working of Trust Estates.

A. 4.—Much depends upon the extent of the practice concerned, the transactions of a large practice necessarily demanding a much larger number of books for their convenient record than would those of a smaller practice. In a recent lecture upon the subject (*vide* Chartered Accountants Students' Society of London's "Transactions," 1900) Mr. W. H. Fox, F.C.A., mentioned no less than 34 books, including statistical books. So large a number could, however, hardly ever be required.

For the recording of Time Accounts the following are recommended :—

Daily Time Book (or Diary), one for each partner and member of staff ;

Time Journal, collecting and analysing monthly the accounts of the time occupied upon each estate ; and

Time Ledger ;

the account in the Time Ledger to be ruled off every time an account is sent in to the client, and—for statistical purposes—the total time so dealt with transferred to the "Fees and Charges Book," which is the Day Book through which fees and charges are debited to the various clients' Ledger Accounts.

For the working of trust estates there is unquestionably only one proper method. A separate Banking Account should be opened for each, and therefore these Trust Accounts will be kept entirely distinct from the accounts of the firm, save that a record will have to be kept of petty cash expenditure, the account being periodically settled by drawing a cheque on the special Banking Account for the amount expended.

Q. 5.—From the following particulars draw a Trading and Profit and Loss Account for the year, and a Balance Sheet at the 31st December 1900, of the Refuse Destructor Company, Lim., the

nominal capital of which is £75,000, divided into 75,000 shares of £1 each. The stock-in-trade and the loose tools at the date of the Balance Sheet were valued at £17,500 and £3,500 respectively. Write off the Preliminary Expenses (£350), and the following depreciation, viz.:—Machinery and Plant, $2\frac{1}{2}$ per cent.; Office Furniture, 10 per cent.; Patterns, 10 per cent.; Patents, $7\frac{1}{2}$ per cent.; and provide a Reserve for Doubtful Debts of £750.

	£	s	d	£	s	d
Premises (Freehold)	13,000	0	0			
Machinery and Plant	12,500	0	0			
Subscribed Capital				50,000	0	0
First Call (Arrears)	5,000	0	0			
Second Call do.	5,000	0	0			
Interim Dividend paid	2,000	0	0			
Stock-in-Trade, 31st December 1899 ..	15,000	0	0			
Office Furniture	500	0	0			
Loose Tools, 31st December 1899 ..	4,000	0	0			
Patterns	5,000	0	0			
Patents	3,000	0	0			
Goodwill	10,000	0	0			
Sundry Debtors	30,000	0	0			
Cash in hand	50	0	0			
Cash at Bank on Current Account ..	2,400	0	0			
Do. Deposit Account	10,000	0	0			
Profit and Loss Account, 31st December 1899 ..				300	0	0
Debentures, 5 per cent.				30,000	0	0
Sundry Creditors				12,805	0	0
Bills Payable				14,000	0	0
Sales				100,000	0	0
Purchases	50,000	0	0			
Wages (Manufacturing)	25,000	0	0			
Erecting, Fitting, and Carriage of Destructors ..	6,000	0	0			
Repairs and Renewals	1,000	0	0			
Coal	2,000	0	0			
Gas and Water	100	0	0			
Rates, Taxes, and Insurance	1,000	0	0			
Salaries (Office)	800	0	0			
Travelling and Commission	1,050	0	0			
General Expenses	400	0	0			
Reserve for Bad and Doubtful Debts ..				2,000	0	0
Directors' Fees	600	0	0			
Interest on Debentures	1,500	0	0			
Interest				50	0	0
Audit Fee	105	0	0			
Royalties	300	0	0			
Discounts allowed	3,000	0	0			
Do. received				1,500	0	0
Preliminary Expenses	350	0	0			

A. 5.—

THE REFUSE DESTROYER COMPANY, LIM.
BALANCE SHEET, 31st December 1900.

<i>Liabilities.</i>	£	s	d	£	s	d	<i>Assets.</i>	£	s	d	£	s	d
Nominal capital (75,000 shares of £1 each)	75,000	0	0				Freehold premises at cost	12,500	0	0	13,000	0	0
Capital subscribed (50,000 shares of £1 each)	50,000	0	0				Machinery and plant						
Less calls in arrear	10,000	0	0				Less Depreciation @ 2½ per cent.	313	10	0	12,187	10	0
Debentures @ 5 per cent.				40,000	0	0	Office Furniture	500	0	0			
Sundry creditors				30,000	0	0	Less Depreciation @ 10 per cent.	50	0	0	450	0	0
Bills payable				12,805	0	0	Patterns	5,000	0	0			
Profit and Loss Account				14,000	0	0	Less Depreciation @ 10 per cent.	500	0	0	4,500	0	0
				6,807	10	0	Patents	3,000	0	0			
							Less Depreciation @ 7½ per cent.	225	0	0	2,775	0	0
							Goodwill at cost				10,000	0	0
							Loose tools valued at				8,500	0	0
							Stock-in-trade valued at				17,500	0	0
							Sundry debtors	30,000	0	0			
							Less Reserve for Doubtful Debts	2,750	0	0	27,250	0	0
							Cash at bank—Deposit Account	10,000	0	0			
							Cash at bank—Current Account	2,400	0	0	12,400	0	0
							Cash in hand				50	0	0
											£103,612	10	0

A. 5.—(continued).

TRADING ACCOUNT for the year ended 31st December 1900.					Cr.			
Dr.		£	s	d		£	s	d
To Stock-in-Trade, 1st Jan. 1900	..	15,000	0	0	By Sales	..	100,000	0 0
" Purchases	..	50,000	0	0	" Stock-in-Trade, 31st Dec. 1900	..	17,500	0 0
" Manufacturing Wages ..	..	25,000	0	0				
" Erecting, Fitting, and Carriage	..	6,000	0	0				
" Repairs and Renewals ..	..	1,000	0	0				
" Loose Tools	..	500	0	0				
" Coal	..	2,000	0	0				
" Gas and Water	..	100	0	0				
" Rates, Taxes, and Insurance	..	1,000	0	0				
" Balance to Profit and Loss	..	16,900	0	0				
" Account	..	£117,500	0	0				
						£117,500	0 0	

Q. 6.—Assuming a Limited Company to acquire a business as a going concern on the basis of accounts made up to a date six months previous to the incorporation of the Company, in what manner would you deal with the accrued profits for such six months in the absence of any express conditions?

A. 6.—The first step is to ascertain the *amount* of the accrued profits for the first six months. Where this can be actually ascertained by stocktaking, &c., the problem is comparatively simple; but, failing this, it is the duty of the directors to apportion the year's profits properly, and it may be pointed out that it does not necessarily follow that half of the total profits for the year were earned in the first six months. The amount of the accrued profits having, however, been ascertained or estimated upon a reasonable basis, it must be applied first towards the payment of interest on purchase-money, and secondly, towards the reduction (or extinction) of preliminary expenses, or the reduction of the purchase-price of the undertaking. The most suitable item to be written down in this manner is unquestionably Goodwill, but objection could hardly be raised to the amount available being applied towards the reduction of any fixed asset acquired by the company on its formation.

Q. 7.—Journalise the following transactions of a Limited Company.

The Company was registered on the 1st January 1900 with a nominal Capital of £40,000, divided into 40,000 shares of £1 each, of which 20,000 were issued as fully-paid to the Vendor as part of the purchase consideration, 10,000 offered for subscription to provide Working Capital, 5s. per share payable on Application, 5s. per share on Allotment, and the remainder in two Calls of 5s. each. 10,000 shares to be held in reserve for future issue. The Vendor also received £5,000 in 5 per cent. Debentures, the balance of the purchase consideration.

- 1900.
- Jan. 5.—Applications accompanied by 5s. per Share were received for 5,000 Shares.
- „ 6.—Allotment made of 5,000 Shares.
- „ 10.—Amount due on Allotment of 5,000 shares received.
- Feb. 10.—First Call of 5s. per Share made payable 24th inst.
- „ 10.—20,000 fully-paid Shares allotted to Vendor.
- „ 10.—5 per cent. Debentures issued to Vendor for £5,000, balance of purchase-money.
- „ 24.—Received on account of First Call, £625.
- „ 26.— „ balance of First Call, £625.
- March 10.—Second and Final Call of 5s. per Share made payable on 24th inst.
- „ 24.—Received on account of Second and Final Call, £1,000.

A. 7.—

JOURNAL 1900.

		£	s	d	£	s	d
5th January.							
Cash	..	1,250	0	0			
To Applications and Allotment Account	..				1,250	0	0
Being deposit of 5s. per share received from sundry applicants for 5,000 shares.							
6th January.							
Applications and Allotment Account	..	2,500	0	0			
To Share Capital Account	..				2,500	0	0
Being 10s. per share due on allotment this date of 5,000 shares of £1 each, Nos. 20,001 to 25,000.							
10th January.							
Cash	..	1,250	0	0			
To Applications and Allotment Account	..				1,250	0	0
Being amount received in payment of balance due on allotment of 6th inst.							
10th February.							
First Call Account	..	1,250	0	0			
To Share Capital Account	..				1,250	0	0
Being call made this day of 5s. per share on 5,000 shares, Nos. 20,001 to 25,000, due 24th inst.							
Vendor..		25,000	0	0			
To Share Capital Account	..				20,000	0	0
„ 5 per cent. Debentures	..				5,000	0	0
Being 20,000 shares, Nos. 1 to 20,000, and £5,000 5 % Debentures issued to Vendor as fully paid in terms of contract dated , vide Minute No.							
24th February.							
Cash	..	625	0	0			
To First Call Account	..				625	0	0
26th February.							
Cash	..	625	0	0			
To First Call Account	..				625	0	0
Being cash received in payment of first call, due 24th inst.							
10th March.							
Second Call Account	..	1,250	0	0			
To Share Capital Account	..				1,250	0	0
Being final call made this day of 5s. per share on 5,000 shares, Nos. 20,001 to 25,000, due 24th inst.							
24th March.							
Cash	..	1,000	0	0			
To Second Call Account	..				1,000	0	0
Being cash received on account of second call, due this date.							

Q. 8.—At what rate and from what date do Legacies carry interest? If there are exemptions to the general rule, specify them.

A. 8.—(i.) A Specific Legacy, when the executor assents to it, carries with it all accretions, such as dividends and bonuses, from the death of the testator, apportioned if necessary.

(ii.) General Legacies carry interest from the date for payment—*i.e.*, generally from the expiration of a year from the testator's death.

(iii.) Legacies payable upon the happening of a future event carry interest from that event.

(iv.) Legacies carry interest from the testator's death in the following cases :—

(a) When charged on land simply without any trust for sale.

(b) If the legacy is in lieu of a debt, or

(c) Is given to a child of the testator or a person to whom the testator has placed himself *in loco parentis*, unless he has otherwise provided for the child.

(v.) The rate is 4 per cent. if paid out of the testator's assets, but 5 per cent. against an executor who has employed the assets for his own purposes; and the legatee has, in the latter case, the option of taking the profits which the executor has made.

Q. 9.—W. F. died on the 10th January 1900 leaving the following Estate, viz. :—

Household Furniture and Effects, valued for Probate at	£1,500
Cash deposited at Bankers'	4,000
Cash on Current Account at Bankers'	700
Cash in House	83
Mortgage at 4 per cent. of Leasehold Premises to secure	3,000
Twelve months' Interest fell due and was received on the 10th February 1900	

A 75 per cent. interest in a mining property, the whole of which mining property had been sold on the 10th October 1899 for £20,000, but the purchase price was not paid until the 10th April 1900. At the same time 6 per cent. interest on the purchase-money was paid to the Executors.

Consols 2½ per cent. ..	..	..	..	£10,000
Debts due to Testator ..	..	..	..	£2,000

The Household Furniture and effects were given to the widow absolutely, with an immediate bequest of £100. Funeral Expenses and Testamentary Expenses were paid, amounting to £75 and £1,000 respectively. Debts owing by the Testator amounted to £75.

You are required to write up the books and make out a Balance Sheet at the 10th April 1900, ignoring Income Tax.

A. 9.—(continued).

Dr.		MORTGAGE @ 4 PER CENT.				Cr.			
1900	To Estate Account	£	s	d	1900	By Cash, Interest	£	s	d
Jan. 10		3,110	0	0	Feb. 10	to date ..	110	0	0
Apr. 10	" Interest Account	..	..	..	Apr. 10	" Balance down ..	3,000	0	0
		£3,110	0	0			£3,110	0	0
Apr. 10	To Balance down ..	£3,000	0	0					

Dr.		INTEREST IN MINING PROPERTY.						Cr.		
1900		£	s	d	£	s	d	£	s	d
Jan. 10	To Estate Account	15,225	0	0	15,225	0	0	225	0	0
Apr. 10	" Interest Account	..	..	..	By Cash ..	..	..	..	..	..
		£15,225	0	0	£15,225	0	0	£225	0	0

Dr.		DEBTS DUE TO TESTATOR.		Cr.	
1900		£	s	d	
Jan. 10	To Estate Account	2,000	0	0	

Q. 10.—A. P. died on the 21st July 1900 possessed of 100 6 per cent. Cumulative Preference Shares of £10 each, fully paid, in C. D. & Co., Lim. (which had failed to pay its Preference Dividend for two years). On the 30th July 1900 C. D. & Co., Lim., declared dividends sufficient to pay the Preference Shareholders for the year ended 30th June 1900, with arrears. How would you deal with these dividends in the Executors' Accounts.

A. 10.—The whole amount should be allocated to capital and, therefore, applied in the executorship books towards reducing the capital value at which the investment stands therein. If the arrears of dividend had not been included in the valuation of the shares for probate purposes, it would be permissible to increase the credit balance of Estate Account to a corresponding extent, but it would probably be best not to make any adjusting entry of this description until the shares were finally disposed of.

RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES, AND RECEIVERS.

Q. 1.—You are Liquidator of a Limited Company in a winding-up by the Court.

The Directors of the Company employed its Auditor as accountant to assist them in the preparation of the statement of affairs made out in pursuance of Section 7 of the Companies (Winding-up) Act, 1890, and he sends you a claim for £31 10s. for time occupied thereon.

What are your duties in regard to this claim ?

A. 1.—The duties referred to are to ascertain (i.) that the auditor was requested to act as referred to in the question ; (ii.) that the statement of affairs has been duly prepared and submitted ; (iii.) that the claim is reasonable. The claim may then be paid next after the costs of the petition and the remuneration of the special manager, if any. (Rules of 1890, Rule 31.)

Q. 2.—As the Voluntary Liquidator of a Limited Company whose assets are insufficient to meet the Creditors' claims, you find that, without having any power to do so under the Articles, the Directors appointed one of their number to manage the business, and for three years prior to winding-up paid him £350 per annum, which they voted to him in addition to his share of the Directors' fees as fixed by the Articles, and which was included in the accounts submitted to general meetings under the head of Salaries together with the salaries of ordinary employees.

What are your rights and duties in this case, and why ?

A. 2.—To apply to the Court under Section 10 of the Companies (Winding-up) Act, 1890, for an enquiry into the conduct of the directors, including the one appointed manager, and for

the restoration of the money improperly paid as fees. In the High Court the application is made by summons; in any other Court by motion, and it may be supported by a report stating the facts and information on which the liquidator proceeds, which are either verified by affidavit or derived from sworn evidence in the matter.

Q. 3.—You are Liquidator in the voluntary winding-up of a Limited Company.

A. B., the late manager, who ceased to be employed on the date of commencement of the liquidation—viz., 1st June 1901, is a creditor for £82, and claims to be entitled to payment in full as a Preferential Creditor.

His engagement was under a Board Minute "at a salary of £300 per annum, and a commission of 4 per cent. on the divisible profits in each year."

His account in the Company's Ledger stands as follows :—

1900			Fol.	£ s d	1900			Fol.	£ s d
Jan. 3	To Cash	2		164 0 0	Jan. 1	By Balance fr. O/L.	392		164 0 0
April 2	" "	19		75 0 0	Dec. 31	" Salaries A/c	J/31		857 0 0
July 5	" "	80		75 0 0					
Oct. 4	" "	47		75 0 0					
Dec. 31	" Balance down			182 0 0					
				<u>£521 0 0</u>					<u>£521 0 0</u>
1901					1901				
Jan. 4	To Cash	58		75 0 0	Jan. 1	By Balance			182 0 0
Feb. 2	" "	59		25 0 0					
Mar. 8	" "	65		25 0 0					
April 5	" "	70		25 0 0					
May 7	" "	73		25 0 0					

All the cheques for the payments shown above have been drawn to "A. B. (Salary)" except that for £164, which reads, "A. B. (Salary and Commission)," and they all bear A. B.'s endorsement. No receipts have been taken, nor any other particulars of the payments recorded.

What are your duties as to A. B.'s claim? State your reasons.

A. 3.—It was decided in the case of *Barclay & Co. v. Earle's Shipbuilding and Engineering Company*, that payment by way of commission upon the output of a shipbuilding yard to workmen engaged in that yard was a preferential claim within the meaning of the Bankruptcy Act. Probably, therefore, a commission on the profits of an undertaking payable to the manager would also be preferential, although this does not necessarily follow and has never been definitely decided. In any event, A. B. is entitled to claim as a preferential creditor for £25, being one month's salary. Apparently his commission for the year 1900 was £57, and upon the facts stated in the question A. B. would, apparently, be entitled to, in the first place, regard all moneys received by him in 1901 as being primarily in liquidation of the balance standing to his credit at the close of the previous year ; but under no circumstances could he be a preferential creditor for more than £50, and he would have to rank as an unsecured creditor for the balance of his claim—namely, £32.

Q. 4.—You are Trustee in the Bankruptcy of M. N., a Financial Agent.

The Bankrupt's Estate includes 100 £10 shares, £5 paid, in a Company in Voluntary Liquidation, whose liquidator prior to the Bankruptcy settled the Bankrupt on the List of Contributories. He now proceeds to make a call of £5 per share of which he demands payment, and refuses to set off the £500 due for this call against a debt of £750 admittedly owing to the Bankrupt by the Company, for which he states he is willing to admit you as a creditor. The time for disclaiming has been allowed to expire, as the shares were formerly considered valuable.

Your estate will probably pay about 15s. in the pound, whilst the Company will probably yield a very trifling dividend to its creditors.

What are your rights and duties, and why ?

A. 4.—The trustee is entitled to set off the £500 (see *In re Duckworth*, 1867, L.R. 2 Ch. 578), and he should do so as a defence to any action taken by the liquidator. He may also prove for the balance in the winding-up. But see Section 101 of the Companies Act, 1862.

Q. 5.—You are Trustee in the Bankruptcy of a West End Tailor.

Among the debts on the books is one for £156 from A. B., of X. Terrace, London, W., who on application refuses to pay, on the ground that this debt should be set off in reduction of the Bankrupt's indebtedness of about £1,100 to A. B. & Son, Cloth Merchants, in the City, of which firm A. B. is the principal proprietor, trading in partnership with his son.

The Bankrupt states that he was aware of these facts, and for that reason had never applied for payment of any part of the £156.

What are your rights and duties, and why?

A. 5.—The trustee is entitled to payment of the £156, and should enforce his claim. It is a separate debt, while the credit claim for £1,100 against the bankrupt belongs to the firm. The mutual credit section of the Bankruptcy Act, 1883 (Sec. 38), therefore, does not apply.

Q. 6.—(a) Within what time, and from when does it run, may a Trustee in Bankruptcy disclaim onerous property?

(b) Can this time limit be affected by any action on the part of the person interested in the property, and, if so, how?

(c) When has the Trustee to file a disclaimer?

(d) What sanction (if any) must he obtain to a disclaimer?

A. 6.—(a) Within twelve months after the first appointment of a trustee, or, where the onerous property did not come to the trustee's knowledge within a month after such appointment, within twelve months after he became aware of it.

(b) The landlord or other person interested can, by application in writing, compel the trustee to disclaim, and if he neglects to give notice within twenty-eight days or such extended period as the Court may allow, whether he disclaims or not, he loses his right to disclaim.

(c) When he disclaims a leasehold interest.

(d) The sanction of the Court is necessary to the disclaimer of a lease except (i.) where the bankrupt has not sublet or charged the demised premises, and (a) the rent is less than £20 ; or (b) the estate is administered under Section 121 of the Act of 1883 ; or (c) notice of intention to disclaim is given to the lessor, and he does not within seven days require the matter to be brought before the Court ; (ii.) where the bankrupt has sublet or charged the demised premises, and the sub-lessee or mortgagee does not, within fourteen days after receipt of notice of intention to disclaim, require the matter to be brought before the Court.

Q. 7.—What action can a Liquidator take in regard to an onerous lease of property he does not wish to occupy ?

A. 7.—He can (a) assign the lease, or surrender it with the lessor's consent, or (b) by refusing to pay the rent or remain in possession leave the landlord to determine the tenancy by re-entry.

Q. 8.—As Receiver in a Partnership Suit, in which a dissolution of the firm has been ordered, you find that one of the partners (who are Surveyors) has since your appointment collected various sums of money representing remuneration in cases in which he was personally employed, but which were partnership business.

These moneys he claims to hold pending a settlement of accounts on which he alleges (and it so appears to you) that he will be entitled to a larger sum.

What are your rights and duties in the matter, and why ?

A. 8.—The receiver should apply for an order on the partner to pay the money into Court. The partner may be restrained by injunction from dealing further with the partnership property.

Q. 9.—Under the Preferential Payments in Bankruptcy Amendment Act, 1897, a Receiver on behalf of Debenture-holders is in certain cases bound to pay certain unsecured creditors in priority to the holders of such Debentures.

(a) What Creditors' claims are entitled to such preferential payment?

(b) What are circumstances that determine whether a Receiver is or is not bound so to pay them?

(c) Has he any special rights in regard to moneys so paid; and, if so, what?

A. 9.—(a) (i.) Rates and taxes; (ii.) wages and salaries of servants and clerks (not exceeding £50) for services rendered during four months prior to the receiving order; (iii.) labourers' wages, not exceeding £25, for services (whether time or piece-work) during two months prior to receiving order.

(b) The claimants must come within the statutory definition. The services must have been rendered within the prescribed periods. If the company is being wound up, the assets available for the payment of general creditors must be insufficient, and the payment only made to the extent of such insufficiency. If the company is not being wound up, the right arises on the appointment of the receiver or possession being taken on behalf of the debenture-holders.

(c) The payments are made (i.) if the company is being wound up, out of any property comprised in the charge; (ii.) if not, out of any assets coming into the receiver's hands, with, in this case, recoupment as far as may be out of the general assets.

Q. 10.—You are acting as Trustee under the Will of a Testator who left a widow and three sons.

The widow had a life Interest in the Income, and the Residue in your hands is left to the children in equal shares, and will vest in them absolutely on their respectively attaining twenty-one years of age.

The death of the widow occurs when the children are all under age.

What are your rights as to providing for their maintenance and education, which are in no way referred to in the will.

A. 10.—As much of the income as the trustee deems necessary may be applied in the maintenance and education of the children till they attain majority (Conveyancing Act, 1882, Section 43). The residue of income should be accumulated.

BOOKKEEPING AND ACCOUNTS

(INCLUDING PARTNERSHIP ACCOUNTS).

Q. 1.—Name and describe shortly the principal account books of a commercial business with which you are acquainted.

A. 1.—Taking the case of a large retail trader, the principal account books would be the following:—

- Day Books.
- Sold Ledgers.
- Invoice Books.
- Bought Ledgers.
- Sales Analysis Book.
- Purchases Analysis Book (might be combined with Invoice Books).
- Sales Ledger Cash Books.
- Bought Ledger Cash Books.
- Private Cash Book.
- Private Ledger.
- Nominal Ledger.

As a matter of fact, the principal account books of most undertakings vary but little, the subsidiary books being those that differ most, according to the exact nature of the business carried on.

Q. 2.—Williams, being in impecunious circumstances, endeavours to obtain money by means of accommodation bills. He applies to Brown, who introduces him to Smith, receiving £25 for his introduction.

On January 1st 1900 Williams accepts Smith's bill for £500 at three months, Smith on the other hand accepting Williams' bill for a similar amount and term. Williams discounts Smith's acceptance the same day with his bankers at 5 per cent., representing it to be a trade bill.

Being still in difficulties, Williams again applies to Brown, who introduces him to Jones, receiving a further sum of £25 as his remuneration. Williams draws on Jones on February 1st 1900 for £1,000 at three months, discounts the acceptance with a money-lender at 10 per cent., and remits half the proceeds to Jones.

On the due date of the first bills (those for £500) each is paid, but on May 4th 1900 Jones fails to meet his acceptance, not having received any assistance from Williams, who should have remitted the balance of the proceeds and his proportion of the discounting.

Describe by means of Journal entries and Ledger Accounts the result of these transactions, and explain the position on May 4th 1900.

A. 2.—

JOURNAL 1900.

					£	s	d	£	s	d
1st January.										
Discount	..	..	..	..	25	0	0			
To Cash	..	..	..	..				25	0	0
Being payment to Brown for introduction to Smith.										
Bills Receivable					500	0	0			
To Smith	..	..	..	..				500	0	0
Smith	..	..	..	..	500	0	0			
To Bills Payable	..	..	..	..				500	0	0
Being cross-acceptances at 3 months.										
Cash	..	..	..	..	493	15	0			
Discount	..	..	..	..	6	5	0			
To Bills Receivable	..	..	..	..				500	0	0
Being Bill discounted at 5%.										
1st February.										
Discount	..	..	..	..	25	0	0			
To Cash	..	..	..	..				25	0	0
Being payment to Brown for introduction to Jones.										
Bills Receivable					1,000	0	0			
To Jones	..	..	..	..				1,000	0	0
Being Accommodation Bill drawn on Jones.										
Cash	..	..	..	..	975	0	0			
Discount	..	..	..	..	25	0	0			
To Bills Receivable	..	..	..	..				1,000	0	0
Being Bill discounted at 10%.										
Jones					487	10	0			
To Cash	..	..	..	..				487	10	0
Being half proceeds of Bill remitted to Jones.										
4th April.										
Bills Payable	..	..	..	..	500	0	0			
To Cash	..	..	..	..				500	0	0
Being Bill due this day, now met.										

The following Trial Balance shows the position of the parties *inter se*.

TRIAL BALANCE, 4th May 1900.

Discount	..	..	..	..	81	5	0	512	10	0
Jones	..	..	..	..	431	5	0			
Cash	..	..	..	..	£512	10	0	£512	10	0

Q. 3.—The Glenisla S.S. Company, Lim., own one “tramp steamer,” the s.s. *Glenisla*, 2,211 tons gross register, which was chartered on February 27th 1900 as follows:—

Cardiff to Genoa with Coal at 8s. 9d. per ton.

NOTE.—The charter stipulates for an address commission to the charterers of 2 per cent. on the freight, payable on signing Bill of Lading, together with a brokerage of 5 per cent. to the charterers' agents, of which one-third is repayable to the vessel.

Agua Amarga (Spain) to Barrow with Ore at 8s. 8d. per ton.

NOTE.—Address commission of $2\frac{1}{2}$ per cent. on freight, payable to charterers, and a brokerage of one-third of 5 per cent. payable to charterers' agents on signing charter.

The vessel was insured at Lloyd's on April 29th 1899, the inclusive premium for one year being £1,952 10s. 8d., and the managing owner's remuneration was fixed by the Articles of Association at 2s. 6d. per gross registered ton per annum.

The voyage commenced on March 9th 1900, and the following are the particulars from which the accounts are to be made up:—

Freight on 3,190 tons Coal to Genoa: and freight on 3,660 tons

Ore to Barrow.

£ s d

Stores Accounts 162 8 1

Port Charges, Trimming, &c., Cardiff 121 2 3

Captain's Account for Harbour Wages, &c., Cardiff 64 7 6

Bunker Coals, as per Engineer's Receipt:—279 tons at 9s.; 154 tons at 8s. 11½d.

					£	s	d
Discharging at Genoa	..	..	..	..	93	15	3
Agents' Disbursements, Genoa, deducted from freight remitted (exch. 27-22)	..	..	..	..	lire 3,012-80		
Captain's Expenses, Genoa	..	..	..	..	7	19	0
Stevedore at Agua Amarga, loading 3,660 tons Ore	..	..	..	..	152	10	0
Despatch Money	..	..	..	..	213	13	4
Interest on Advance	..	..	..	..	10	19	9
Captain's Expenses	..	..	..	..	5	15	9
Agents' Accounts for Port Charges, Agency, &c., exclusive of address Commission and Brokerage (exch. 26-75)					pesetas 2,964-88		
Bunker Coal at Portland, 20 tons at 18s. 6d., and Port Charges, £3 2s.							
Port Charges, Discharging and Despatch Money at Barrow	..	..	..	..	423	7	6
Captain's Portage Bill	..	..	..	..	168	6	8
Overlookers' Expenses	..	..	..	..	4	5	0

The voyage terminated on April 28th 1900. Draft the necessary entries to record the transactions, and complete Voyage Account, showing the Profit or Loss.

Q. 4.—A firm of Contractors carried on business from January 1st 1892 to June 30th 1899, keeping their books by single-entry. At the last-mentioned date they decided to adopt a double-entry system.

The position as set out at the date of the Partnership Deed, January 1st 1892, was as follows :—

Debtors	..	..	..	£4,500
Land, Buildings, &c.	..	..	..	5,500
Plant and Machinery	..	..	..	1,000
Work in Progress..	..	..	..	5,000
Cash ..	..	..	..	2,000
Creditors	..	..	..	3,000

The Deed stipulated that the capital should belong to two (A. and B.) of the three partners. The profits were to be divided as follows : A., $\frac{1}{3}$; B., $\frac{7}{12}$; C., $\frac{5}{12}$. A Statement prepared at June 30th 1900 gave the following as the position :—

Land, Buildings, &c.	..	..	..	£5,500
Plant and Machinery	..	..	..	1,500
Work in Progress..	..	..	..	3,500
Cash ..	..	..	..	2,500
Debtors	..	..	..	6,500
Creditors	..	..	..	3,500

Adjust the Partners' Accounts as between themselves, and compile a " Trial Balance " as it would appear for the purpose of opening the new books on a double-entry basis, having regard to the following drawings during the $7\frac{1}{2}$ years :—

A.	..	..	..	£7,500
B.	..	..	..	4,500
C.	..	..	..	2,000

NOTE.—Interest had been regularly paid.

A. 4.—

STATEMENT OF AFFAIRS, 1st January 1892.

<i>Liabilities.</i>			<i>Assets.</i>		
£	s	d	£	s	d
Creditors	..	..	Land, Buildings, &c. ..	..	5,500 0 0
Balance (being Capital), viz. :—			Plant and Machinery ..	..	1,000 0 0
A.	7,500	0 0	Work in Progress ..	..	5,000 0 0
B.	7,500	0 0	Debtors	..	4,500 0 0
			Cash	..	2,000 0 0
			15,000 0 0		
			£18,000 0 0		£18,000 0 0

STATEMENT OF AFFAIRS, 30th June 1892.

<i>Liabilities.</i>			<i>Assets.</i>		
£	s	d	£	s	d
Capital, 1st January 1892	..	..	Land, Buildings, &c.	..	5,500 0 0
Creditors ..	..	..	Plant and Machinery	..	1,500 0 0
Balance down ..	..	..	Work in Progress	..	3,500 0 0
			Debtors ..	..	6,500 0 0
			Cash ..	..	2,500 0 0
					£19,500 0 0
Net Profit for the period, viz. :—					
A., £ the Share	6,818	3 8	Balance down	..	1,000 0 0
B., £ funds	4,772	14 6	Drawings, viz. :—		
C., £ funds	3,409	1 10	A.	..	4,500 0 0
			B.	..	2,000 0 0
			C.	..	
					14,000 0 0
					£15,000 0 0

A. 4.—(*continued*).

TRIAL BALANCE 1st July 1899.

	£	s	d	£	s	d
Land, Buildings, &c.	5,500	0	0			
Plant and Machinery	1,500	0	0			
Work in Progress	3,500	0	0			
Debtors	6,500	0	0			
Cash	2,500	0	0			
Creditors				3,500	0	0
Capital—A... .. .				6,818	3	8
" B... .. .				7,772	14	6
" C... .. .				1,409	1	10
	£19,500	0	0	£19,500	0	0

Q. 5.—Describe a system of Cost Books suitable for the business of a Builder and Contractor.

A. 5.—An elaborate, and theoretically perfect, system of Cost Accounts suitable to a builder or contractor is fully described in Dicksee's "Bookkeeping for Accountant Students," Chapters 13, 15, and 16. In practice, however, it is rarely possible for an ideal system to be kept up, on account of the cost necessarily involved, and the skill required to keep it going. For small and medium sized concerns, therefore, the following suggestions are put forward:—

The Cost Accounts should be kept entirely separate from the financial books, and the check which they afford will be far more effective if they are kept by separate clerks in a different building or office.

All goods and materials not bought for special jobs, and immediately debited thereto through the Bought Book, should be charged up to "Stores Account," and the storekeeper should be made responsible for the keeping of a proper record upon all stores issued.

The prime Cost Book should devote a separate page (or more) to each contract, and the direct expenditure incurred upon each contract should be recorded therein under the headings of:—

- (a) Wages (derived from an analysis of the Wages Book).
- (b) Special Materials (derived from the Bought Book).
- (c) Stores (derived from the Stores Issued Book).

As each contract is finished the total expenditure incurred should be transferred to a book (or sheet), giving in a tabular form a Summary of Contracts, having columns for wages, special materials, stores, establishment expenses, total cost, contract price, profit on contract, loss on contract. The establishment expenses must be arrived at according to circumstances and to past experience, being usually based at a fixed percentage on the prime cost.

At balancing time it should be seen that the totals of the various columns in the tabular summary agree, subject to whatever adjustment may be necessary for outstandings as follows:—

Wages, with the Wages Account in the financial books.

Special Materials, with the account of that name in the financial books, debited to Trading Account.

Stores.—The Stores Account in the financial books will stand debited with the total of the amounts entered in the Stores column of the Bought Book. It will be credited (and Trading Account will be debited) with the total stores issued on various jobs. The balance of Stores Account in the Ledger should approximately agree with the actual inventory of stores on hand, and any material discrepancy must be carefully enquired into, indicating, as it does, either carelessness in recording the stores issued, or theft of stores. Any slight difference that there may be must, of course, be written off, so that only the actual figure of stores appears in the Balance Sheet as an asset.

The total of the Establishment Expenses column in the tabular Summary of Contracts should approximately agree with the net

expenses debited to Profit and Loss Account; while the total of the Profit column, *minus* the total of the Loss column should (subject to adjustment in respect of expenses and stores) agree with the net profit shown by the Profit and Loss Account.

Q. 6.—The Directors of a Limited Liability Company (having an authorised Capital of £120,000) issue a prospectus inviting application for 10,000 Shares of £10 each, and stating that 1,000 Shares will be issued in addition as fully paid to the Vendors in part payment of purchase-money.

£1 per Share is payable on Application.

£1 " " " " Allotment.

£3 " " " 3 months after Allotment.

£5 " " " 6 " " "

The Capital offered was over-subscribed by 1,000 (one thousand) Shares.

The amount due on allotment was received in full.

The sum of £29,000 was received in respect of the first, and £47,500 in respect of the second call.

The purchase-money is stated to be £80,000, viz. :—

Land and Buildings	..	..	..	..	£35,000
Stocks and Work in Progress	..	..	..	..	15,000
Machinery and Plant	..	..	..	..	20,000
Goodwill	..	..	..	..	10,000
					<u>£80,000</u>

Draft the Journal entries necessary to open the books of the Company, and to record the payment of the instalments, stating where details of the calls in arrear should be found.

A. 6.—

JOURNAL.

	£	s	d	£	s	d
Cash	11,000	0	0			
To Applications and Allotments Account. Being £1 per Share on application for 11,000 Shares of £10 each.	..			11,000	0	0
Applications and Allotments Account ..	20,000	0	0			
To Share Capital Account.. .. .	..			20,000	0	0
Being £2 per Share on allotment of 10,000 Shares of £10 each.						
Applications and Allotments Account.. ..	1,000	0	0			
To Cash	..			1,000	0	0
Being Deposits returned on applications declined.						
First Call Account	30,000	0	0			
To Share Capital Account.. .. .	..			30,000	0	0
Being first call of £3 per Share due on 10,000 Shares of £10 each.						
Cash	29,000	0	0			
To First Call Account	..			29,000	0	0
Being amount received on account of first call.						
Second Call Account	50,000	0	0			
To Share Capital Account.. .. .	..			50,000	0	0
Being second and final call of £5 per Share due on 10,000 Shares of £10 each.						
Cash	47,500	0	0			
To Second Call Account	..			47,500	0	0
Being amount received on account of second and final call.						
Land and Buildings	35,000	0	0			
Stocks and Work in Progress	15,000	0	0			
Machinery and Plant	20,000	0	0			
Goodwill	10,000	0	0			
To Vendor	..			80,000	0	0
Being property purchased this day under contract dated—, adopted—.						
Vendor	80,000	0	0			
To Cash	..			70,000	0	0
.. Share Capital Account.. .. .	..			10,000	0	0
In payment of purchase price under above contract, viz., £70,000 in cash, 1,000 Shares of £10 each issued as fully paid thereunder, <i>vide</i> Minute No.						

The particulars of the calls in arrears would be found in the Share Ledger. The total of the arrears extracted therefrom should agree with the balances on the "First Call Account" and "Second Call Account" respectively.

Q. 7.—The following is the Balance Sheet of A. and B. at December 31st 1899, who are equal partners :—

Sundry Creditors	£10,000	Sundry Debtors	£21,400
Bills Payable	12,000	Bills Receivable	9,000
Provision for rent accrued ..	400	Work in Progress and Stocks...	13,000
Capital—		Fixtures, Fittings, and Trade	
A.	£14,000	Utensils	2,000
B.	11,000	Cash at Bank	2,000
	<u>25,000</u>		

They agree to admit C., their manager, as from 1st January 1900, provided he bring in £4,000, one-fourth of which is to be credited in equal moieties to the Capital Accounts of A. and B.

The deed provided that Interest at 5 per cent. per annum should be credited on Capital, and that C. should receive a salary of £500 per annum, and a third of the profits in excess of £3,000, after debiting his Salary and Interest on Capital: the profits up to that amount being due to A. and B. equally.

At 31st December 1900 profits, before charging C.'s salary, amounted to £8,900.

The Drawings of the Partners had been as follows :—

A. £2,300.

B. £1,540.

C. £660.

Adjust the Partners' Accounts as between themselves, disregarding Interest on drawings.

A. 7.—

PROFIT AND LOSS ACCOUNT, for the year ended 31st December 1900.										Cr.					
										By Balance					
										£	s	d	£	s	d
To C.—Salary										500	0	0	8,900	0	0
" Interest on Capital—A. ..										725	0	0			
B. ..										575	0	0			
C. ..										150	0	0			
										1,450	0	0			
" Preferential Allowances—A. ..										1,500	0	0			
B. ..										1,500	0	0			
										3,000	0	0			
" Balance (being surplus profits)															
viz. :—															
A. 1 st share										1,316	13	4			
B. ..										1,316	13	4			
C. ..										1,316	13	4			
										3,950	0	0			
										£8,900	0	0	£8,900	0	0

A. 7.—(continued).

PARTNERS' CAPITAL.

			A.			B.			C.		
			£	s	d	£	s	d	£	s	d
Balance, 1st January 1900	..	..	14,000	0	0	11,000	0	0			
Brought in by C.	..	..	500	0	0	500	0	0	3,000	0	0
Interest ..	..	..	725	0	0	575	0	0	150	0	0
Salary ..	..	..	..	..	..	..	..	..	500	0	0
Preferential Allowances	..	..	1,500	0	0	1,500	0	0			
Share of Surplus Profits	..	..	1,316	13	4	1,316	13	4	1,316	13	4
Less drawings	..	..	18,041	13	4	14,891	13	4	4,966	13	4
Balance, 31st December 1900	..	..	2,800	0	0	1,540	0	0	660	0	0
	..	..	£15,741	13	4	£13,351	13	4	£4,306	13	4

Q. 8.—A firm of Engineers (equal partners) find it necessary to partly remodel their works, and, at the same time, decide to adjust their Capital Accounts. The old part, which it is intended to rebuild and fit out with improved machinery, stands in the books as follows :—

Land and Buildings	..	..	..	£12,000
Machinery and Plant	..	..	..	19,000

The new erections, plant, and machinery cost £52,000, divided as follows :—Machinery, £35,000; Buildings, £17,000. The old machinery realises £13,000, and the material from the old buildings £4,000. The land is valued at £13,000.

Show how these transactions should be recorded in the books by giving the Journal entries and Ledger Accounts.

A. 8.—

JOURNAL.

	£	s	d	£	s	d
Machinery and Plant	35,000	0	0			
Land and Buildings	17,000	0	0			
To Cash				52,000	0	0
Being cost of new works.						
Cash	17,000	0	0			
To Machinery and Plant				13,000	0	0
„ Land and Buildings				4,000	0	0
Proceeds of sale of old machinery, &c.						
Capital Accounts (in equal moieties)	6,000	0	0			
To Machinery and Plant				6,000	0	0
Being special loss on sale of old machinery written off to Capital.						
Land and Buildings	5,000	0	0			
To Capital Account (in equal moieties)				5,000	0	0
Being readjustment in values on rebuilding of works written back to Capital.						

A. 8.—(continued).

LAND AND BUILDINGS ACCOUNT.				Cr.	
Dr.					
		£	s d		£ s d
To Balance .. ..	.. ..	12,000	0 0	By Cash, Sale of old Building Materials ..	4,000 0 0
.. Capital Accounts .. ..	.. ..	5,000	0 0	.. Balance down, being Value of Land ..	13,000 0 0
		£17,000	0 0		£17,000 0 0
To Balance down .. ..	.. ..	13,000	0 0		
.. Cash, Cost of Re-building ..	.. ..	17,000	0 0		
MACHINERY AND PLANT.				Cr.	
Dr.					
		£	s d		£ s d
To Balance .. ..	.. ..	10,000	0 0	By Cash, Sale of old Machinery	13,000 0 0
		£19,000	0 0	.. Capital Accounts	6,000 0 0
					£19,000 0 0
To Cash, Cost of new Plant, Machinery, and Erection .. ..	.. ..	85,000	0 0		

Q. 9.—How would you deal in the books and on compiling the Balance Sheet with the sacks sent out and returned by the customers of a firm of millers, having regard to the following facts :—

Sacks are debited when sent out at 1s.

An allowance is made for sacks returned in good condition 6d.

The estimated actual value of sacks returned is 4d.

New sacks purchased cost 7d.

The debit balances against customers may include the sacks, which will either be paid for in full, or returned to claim the allowance, or, again, customers may, having perhaps mislaid the sacks, refuse to pay more than the estimated value of the sacks missing.

A. 9.—The most convenient way would probably be to provide a separate column in the Sales Day Book and Sales Returns Book for sacks. A record should then be kept of the amount debited to customers for sacks that might be returned, and at balancing time a sufficient reserve provided to prevent any unrealisable profit being taken credit for. A more perfect system, however, would be to have an independent Sack Ledger, kept in quantities only, showing the number of sacks forwarded to each customer, and the number returned from time to time. Sacks not returned (and consequently charged for) being written off the accounts in this Ledger, so that it only showed to each customer's debit the number of sacks that it was expected would be returned, and for which, therefore, a reserve would have to be made.

Q. 10.—Advise as to the best method for a system whereby the respective Sales and Purchases Ledgers of a business may be separately balanced, and by which the general Ledger clerk can without reference to the subsidiary Ledgers balance his books independently.

A. 10.—Each separate Ledger should, so far as possible, be supplied with its own subsidiary books, Day Book, Returns Book, and Cash Book. An Adjustment Account should be opened in each Trade Ledger to which should be posted (in total) all items necessary to complete the double-entry of that Ledger, so that by this means the Ledger necessarily becomes self-balancing. In practice, however, there would probably be a few out-of-the-way transactions occurring from time to time that could not be conveniently recorded in any of the subsidiary books before mentioned. For these a Transfer Journal should be employed, which might serve as the posting medium into all Trade Ledgers for such items as bills, interest, bad debts, transfers from one Ledger to another, etc. In the left-hand margin the Ledgers to which each transaction is posted should be clearly indicated, and double folio columns provided, seeing that every transfer from one Ledger to another would necessarily have to be posted twice to each Ledger.

The General Ledger should be posted up from the General Cash Book, which takes in the daily totals of the subsidiary Cash Book, the Bill Books, the General Journal (in which for the sake of convenience should be collected the totals of the various Day Books, etc.), and the Transfer Journal. A separate Adjustment Account should be opened for each subsidiary Ledger, to which should be posted (in total, so far as practicable) all transactions that have been recorded in that particular Ledger. The various transfers from one subsidiary Ledger to another, or from a subsidiary Ledger to the General Ledger will also have to be posted through the Transfer Journal. By this means the General Ledger itself is made self-balancing, and contains an Adjustment Account for each Ledger, which should exactly agree with the corresponding Adjustment Account in that particular Ledger, save, of course, that the sides of the two accounts are transposed. It is, therefore, possible for the General Ledger to be balanced quickly, independently of the various Trade Ledgers,

and to afford a complete check upon the latter ; not merely as to the correct total of the balance, but also with regard to the total and the details of the various items posted to the Adjustment Account in that Ledger. This is most valuable, as making it extremely difficult for the balancing of the various Trade Ledgers to be "cooked."

AUDITING.

Q. 1.—What class of revenue and expenditure received or paid respectively prior to the date of a Balance Sheet may be apportioned and brought to the debit or credit of that account? Give two examples of each.

A. 1.—This question is somewhat difficult to understand, as it is not usual to carry revenue to the debit, or expenditure to the credit, of a Balance Sheet; the only justification for such a course is that it would not be fair, under the circumstances, to credit or debit the Profit and Loss Account for the current period with those items. Assuming the question to enquire as to what classes of income and expenditure may properly be held in suspense for the time being, the following may be regarded as examples:—

(a) Revenue earnings received in advance cannot be taken credit for in the current period, and must therefore be suspended as a liability, while profits arising from a source not properly incidental to the business should be credited to Reserve Fund instead of to Revenue.

(b) Revenue payments made in advance (as, for instance, for fire insurance, and—within strict limits—for advertising) may be capitalised *pro tem.*, while exceptional losses which are not fairly chargeable against the profits of any one year may be spread over a term of years, in which case the proportion held in suspense must for the time being appear upon the Balance Sheet as an asset.

Q. 2.—Who may act as Auditors under the Industrial and Provident Societies Act, 1893, and what is the nature of their duties?

A. 2.—Section 13 provides that every registered society shall once at least in every year submit its accounts for audit, either to one of the public auditors in the Act mentioned, or to two or more persons appointed as the rules of the society provide. Thus, anyone may act as auditor for a society registered under the Industrial Provident Societies Act, 1893, but there must be two auditors, unless one of the public auditors appointed by the Treasury under Section 72 be employed. The auditor's duties are set forth in Sections 13 and 14, which provide that the auditor shall "examine the Balance Sheets showing the receipts and expenditure, funds and effects of the society, and verify the same with the books, deeds, documents, accounts, and vouchers relating thereto, and either sign the same as found by them to be correct, duly vouched, and in accordance with law, or specially report to the society in what respects they found them incorrect, unvouched, or not in accordance with law." Every society must forward a return to the Registrar not later than the 31st March in each year, which *inter alia* must state whether the audit has been conducted by a public auditor, or by whom, in the latter event giving full particulars of the auditors, and of the manner in which, and the authority under which, they were appointed.

Q. 3.—If in auditing the accounts of a Fire Insurance Company you decided to pay special attention to the verification of the amounts taken credit for in respect of premiums, including those received direct and those through Agents, and also re-insurance premiums received and paid, describe fully the steps you would take.

A. 3.—Naturally much depends upon the system of accounts in use. It would, however, be quite impracticable for the auditor to make a detailed investigation of the premium income, and such a thing would never be attempted as part of the ordinary audit, although, of course, it might be undertaken (in whole or in part)

as a special investigation where there were reasons to suspect dishonesty. In all normal cases, however, the premium income can be verified with as much certainty in a far shorter manner; the amount of outstanding premiums at the commencement of the period being taken from the last Balance Sheet, the Renewal Registers will show the gross income receivable on renewals, and the New Policy Registers the gross income receivable in respect of new policies. Deducting from this total the total cash actually received in payment of premiums, the auditor will arrive at a balance which has to be accounted for as being outstanding premiums, or premiums upon policies lapsed or cancelled. Except in so far as these may relate to policies effected through agents, the actual renewal receipts unused should be produced to the auditor and cancelled by him. Unused receipts in the hands of agents should also be produced in due course, but at the time of auditing the accounts for the past year it might perhaps be impracticable to obtain all these. The agents' accounts for the Christmas quarter would not, however, in any event come into the books for the year ended 31st December, and by that time it ought to be practicable to completely verify the agents' accounts, and to compare the Ledger Accounts with the accounts current rendered by the agents themselves. Some offices, however, do not adopt the system of writing out in advance renewal receipts for every policy in existence. In such a case there can, of course, be no effective check unless the counterfoil Receipt Books are compared in detail with the premiums accounted for. This system is therefore not nearly so effective as the one first mentioned, and on that account is rapidly falling out of use.

Q. 4.—What objections are there to relying on a correctly prepared Cash Account or Statement of Receipts and Payments for the purpose of ascertaining whether the Directors of a Trading Company would be justified in declaring a dividend?

A. 4.—The most obvious objection to relying upon such an account is that it affords no indication whatever as to what profits have been earned, whereas, of course, no dividend ought to be paid unless justified by profits. A proper Revenue or Profit and Loss Account should therefore be prepared in every case ; but with established industries of a non-speculative character it may in practice be found that a summary of revenue receipts and revenue payments is a fairly reliable guide as to what profits have been made, when compared with the corresponding accounts of previous periods. Careful enquiry would, however, have to be made as to the relative amounts of stock, debtors, and creditors at the opening and close of the period.

Q. 5.—What are the duties of Auditors in connection with the Statutory Meeting of a Company registered under the Companies Acts, 1862 to 1900 ?

A. 5.—They are defined by Section 12 of the Companies Act, 1900, which provides that the directors shall, at least seven days before the day on which the statutory meeting is held, forward to every member of the company a report stating the total number of shares allotted, distinguishing those allotted as partly or fully paid up otherwise than in cash, the total amount of cash received in respect of such shares, an abstract of receipts and payments on Capital Account, an account (or estimate) of the preliminary expenses, and certain other information. This report, so far as it relates to the shares allotted, to the cash received in respect thereof, and to the receipts and payments of the company on Capital Account, must be certified by the auditors (if any) of the company.

Q. 6.—A Company whose capital consists of Ordinary Shares and 5 per cent. Preference Shares (cumulative) earned profits sufficient to only pay the Preference Shareholders for the year ending 31st December 1898 4 per cent., and for the following year 3 per

cent. What is the duty of the Auditor, in completing his audit to the 31st December 1900, in connection with the dividend of the holders of the Preference Shares?

A. 6.—If the Balance Sheet shows upon the face of it that the dividend on the cumulative preference shares is in arrear, the auditor can give a "clean" certificate, but if there is nothing on the face of the accounts to indicate that the preference dividend is in arrear, the auditor should draw attention to the position of affairs in his report to the shareholders. It is thought, however, that there is no occasion to refer to the matter in the certificate appended to the foot of the Balance Sheet.

Q. 7.—What is a "Continuous Audit"? State the advantages of and the principal objections to an Audit of this description. What is necessary to make a Continuous Audit perfectly satisfactory?

A. 7.—A continuous audit is one taking place at more or less frequent intervals throughout the year, as opposed to one commenced after the books have been balanced and closed. Its advantages are that errors can be more quickly detected and rectified, the books are probably kept more closely up to date, and a more detailed audit is practicable without unduly delaying the general meeting. On the other hand, there is, of course, the risk of items that have been passed by the auditor being altered, either inadvertently or fraudulently, before the final audit. To make a continuous audit "perfectly" satisfactory it should be supplemented by an entirely independent audit conducted after the books have been closed and balanced. This would, of course, be somewhat expensive, but the completed audit need not in that case be of a detailed character; and where the company's regulations require that there shall be two auditors, it is no doubt infinitely better that one should perform a continuous audit, and the other a completed audit, than that they should make a joint audit at the same time.

Q. 8.—Under what circumstances may the Accounts of a Judicial Trustee be referred to a Chartered Accountant for Audit and Report? Should you receive the necessary instructions, and find in the Accounts of the Judicial Trustee deductions on account of his remuneration and allowances, what proof will you require of their correctness?

A. 8.—In any case where the Court shall so direct, which, in practice, would be when the accounts are likely to involve questions of difficulty. A judicial trustee is under the Judicial Trustees Act, 1896, Section 1, (5), entitled to such remuneration (not exceeding the prescribed limits) as the Court may assign in each case, and the remuneration so assigned to any judicial trustee shall, save as the Court may for special reasons otherwise order, cover all his work and personal outlay. The order of the Court would have to be produced, showing the amount of remuneration to which the judicial trustee was entitled; and so long as this amount was not taken credit for before it accrued due, it might be passed in the accounts.

Q. 9.—State fully how you, as an Auditor, would conduct the examination of Mortgage Deeds held by a Company as security for advances.

A. 9.—Upon the occasion of the first audit the mortgage deeds and the accompanying title deeds should be carefully inspected and compared with the detailed Register of Deeds. The company's solicitor should also be asked to attend at the same time and join in this examination. The deeds having been once verified in detail, a similar lengthy enquiry at every subsequent audit might to a great extent be avoided by the various parcels being sealed up in different envelopes (or packages) properly endorsed, and at subsequent audits it might be assumed that, so long as the auditor's seals were intact, the documents enclosed in the packages were in order. It would be well, however, to test a certain number of cases at random by breaking the seals and making a

detailed examination as before. Of course, where the number of deeds is comparatively small, it would be best for them all to be carefully gone through every time, but so extensive an enquiry would not always be practicable, as, for instance, in the case of building societies.

Q. 10.—What are the requirements of the Companies Act, 1900, as to Auditors in connection with the Balance Sheet? and give an example of an Auditor's Certificate and an Auditor's Report :—

- (a) Where both can be given without any qualification.
- (b) When the Certificate can be given without any qualification, but the Auditor desires to give certain information to the shareholders.
- (c) When the Auditor considers it his duty to qualify his Certificate and Report.

A. 10.—This is a point upon which there is very considerable difference of opinion. The Companies Act, 1900, Section 23, provides as follows :—

Every auditor of a company shall have a right of access at all times to the books and accounts and vouchers of the company, and shall be entitled to require from the directors and officers of the company such information and explanation as may be necessary for the performance of the duties of the auditors, and the auditors shall sign a certificate at the foot of the Balance Sheet stating whether or not all their requirements as auditors have been complied with, and shall make a report to the shareholders on the accounts examined by them, and on every Balance Sheet laid before the company in general meeting during their tenure of office; and in every such report shall state whether, in their opinion, the Balance Sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as shown by the books of the company; and such report shall be read before the company in general meeting.

The Institute of Chartered Accountants, through its Council, has obtained the joint opinion of Messrs. Haldane, Swinfen Eady, Kirby, and Palmer, upon the matter, which is as follows:—

- “(1) In our opinion the provisions contained in Sections 21, 22, and 23 of the Companies Act, 1900, are supplemental to and not in substitution for provisions as to audit contained in the Companies Act, 1879 (where applicable), and in Articles of Association or Regulations of a Company, and, accordingly, we are of opinion that the Act of 1900 does not relieve an auditor from the necessity of complying with such provisions, even though the latter impose obligations beyond those imposed by the Act of 1900. In so far, however, as the Act of 1900 is inconsistent with the earlier provisions, the Act must, of course, prevail.
- “(2) In our opinion the words ‘books of the Company’ in Section 23, which gives to the Auditor a right of access at all times to the books and accounts and vouchers of the Company, mean all the books—not merely the books of account of the Company; the words, therefore, include the Minute Books and Letter Books.
- “(3) In our opinion the word ‘requirements’ in Section 23, which makes it necessary for the Auditor’s Certificate to state whether or not his requirements as Auditor have been complied with, is used in its popular sense, and not as referring merely to what he is entitled to require under the preceding words of the section.
- “(4) In our opinion where the Auditor’s requirements are not complied with the Auditor should specify in his Certificate in what respects they have not been complied with; and if there is no Balance Sheet on which to place the Certificate, then the Auditor should so specify in his Report. But if the specification of the instances of

non-compliance be lengthy, we see no objection to the Certificate stating that all the requirements have not been complied with without specification of details, provided that it refers to the Report for the details.

- “(5) In our opinion the Certificate and Report referred to in Section 23 must be separate and separately signed, even though both be placed on the Balance Sheet. There would, however, be no objection, if it be desired, to connect the Certificate with the Report by inserting in the Certificate a reference to the ‘subjoined’ or ‘accompanying’ Report; and, as an alternative, where thought expedient, the Certificate might set out the Report verbatim, thus:—I certify, etc., and I report to the Shareholders that, etc., Signed A. B. If, however, this course be adopted it will, in our opinion, still be necessary that the Auditor should make and sign the Report separately, and send it in to the Directors to be placed before the Shareholders.

- “(6) As regards the form of Certificate, it may run thus:—

“ AUDITOR'S CERTIFICATE.

“In accordance with the provisions of the Companies Act, 1900, I certify that all my requirements as Auditor have been complied with.

“And the Report might run thus:—

“To the Shareholders of the Company, Lim.

“ AUDITOR'S REPORT.

“I have audited the above Balance Sheet [or the Company's Balance Sheet dated the day of] and in my opinion such Balance Sheet is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books of the Company.

- " (7) Section 23 of the Act of 1900 requires the Auditor to report whether the Balance Sheet is properly drawn up, so as to exhibit a true and correct view of the state of the Company's affairs, as shown by the Books of the Company. In our opinion, these words, 'as shown by the Books of the Company,' do not limit the Auditor's duties to a comparison of the figures. No doubt he has to examine the Books, but as Lord Justice Lindley said, in *In re The London and General Bank* (1895, 2 Ch. 683): 'He does not discharge his duty by doing this without enquiry, and without taking any trouble to see that the Books themselves show the Company's true position. He must take reasonable care to ascertain that they do so.

" R. B. HALDANE.

" C. SWINFEN EADY.

" A. R. KIRBY.

" FRANCIS B. PALMER.

" *Lincoln's Inn, 12th December 1900.*"

The *pro formâ* certificate and report given above answer the position indicated in (a) of the question. With regard to (b) the certificate might run as before, the information that the auditor desires to bring to the notice of the shareholders being included in his report. In case (c) very much depends upon the nature of the qualification desired. So long as the auditor is in a position to say that all his requirements have been complied with, no modification of the certificate would appear to be necessary; but counsels' opinion gives it that the word "requirements" is used in its popular sense, and not merely in relation to the information and explanations that the auditor is entitled to require from the directors and officers of the company. If, therefore, the auditor's requirements have not been complied with, his certificate might run as follows:—

“In accordance with the provisions of the Companies Act, 1900, I certify that all my requirements as auditor have not been complied with, and that I have fully reported to the shareholders with regard to the matter this day of 1901.”

It may be pointed out, although the learned counsel do not appear to attach any importance to the point, that it seems desirable that in all cases the certificate should draw attention to the existence of a separate report, if only to obviate the necessity for adopting a different wording in those cases where it is important that attention should be directed to the report, notwithstanding the fact that the auditor does not feel justified in certifying that his requirements have not been complied with.

BANKRUPTCY AND COMPANY LAW.

Q. 1.—In what circumstances can a creditor, who has assented to an assignment for the benefit of creditors, afterwards take advantage of the assignment as an Act of Bankruptcy?

A. 1.—(a) If his assent has been obtained by fraud or misrepresentation ; or

(b) If the deed of assignment contains any provisions giving an advantage to an individual creditor over the others.

Q. 2.—A composition is proposed by a debtor, accepted by the creditors, and approved by the Court in accordance with Section 3 of the Bankruptcy Act, 1890. To what extent will this relieve the debtor from his liabilities?

A. 2.—The debtor is released generally from debts due to his creditors and provable in bankruptcy, but not from any liability under a judgment in an action for seduction, or under an affiliation order, or under a judgment against him as a co-respondent in a matrimonial cause, except by the express order of the Court and to the extent so ordered. Moreover, the composition may be annulled and the debtor adjudged bankrupt by the Court if default is made in the payment of instalments, or it appears that the composition cannot be worked out or that the assent of the Court was obtained by fraud, and, in that event, any debt provable in other respects, contracted before the adjudication, becomes provable in the bankruptcy. Again, a debtor is not released from debts on recognisances, or with which he is chargeable at the suit of the Crown, or of the sheriff, or of any person for offences against statutes relating to the revenue (unless the Treasury consent in writing). He is liable for debts incurred, or remaining unpaid, by fraud. *A fortiori*, he is not released from criminal liabilities.

Q. 3.—Under certain conditions a trustee in bankruptcy may disclaim onerous contracts of the bankrupt. How may this right be lost by him ?

A. 3.—(a) By expressly adopting the contract. (b) By failure to disclaim within twelve months after appointment or knowledge of the contracts. (c) By failure to disclaim within twenty-eight days (or extended period granted by the Court) on being called upon by an interested party to do so.

Q. 4.—What preferential debts are recognised in bankruptcy, and under what authority ?

A. 4.—(a) Rates and taxes. (b) The wages or salary of any clerk or servant, not exceeding £50, for services rendered during four months prior to the receiving order. (c) Wages of labourers or workmen, not exceeding £25, for services—whether time or piece work—rendered during two months prior to the receiving order. Provision is made for these preferences by the Preferential Payments in Bankruptcy Act, 1888, and by the amending Act of 1897. (d) Funeral and testamentary expenses, under Section 125 of the Bankruptcy Act, 1883. (e) Preferences under special statutes—*e.g.*, the Friendly Societies Act, 1896 (see Section 35), and the Workmen's Compensation Act, 1897 (see Section 5).

Q. 5.—When will usage of trade exclude the doctrine of reputed ownership? State the general principle, and give two illustrations of it.

A. 5.—The doctrine of reputed ownership is a presumption arising from possession. This presumption may be rebutted if it is proved that there is an established trade custom or usage whereby traders have in their possession goods of which they are not the owners. The custom must be an established one, and must be proved as a fact. The application of the doctrine of reputed ownership has the effect of making the property of one man go to pay the debts of another; and it is rightly excluded if

it is shown that, from the particular trade in which the debtor was engaged, the creditor ought not to have relied on the fact of the goods having been in his possession. Two instances are:—
 (i.) the custom among hotel-keepers of hiring furniture (*Crawcour v. Salter*, 1881, 18 Ch.D. 30); (ii.) the agistment of cattle by farmers (*In re Woodward*, 1886, 3 Morr. 75).

Q. 6.—In what circumstances can a Company effect a reduction of its capital without entitling any creditor of the Company to object?

A. 6.—(i.) When the proposed reduction does not involve either the diminution of any liability in respect of uncalled capital or the payment to any shareholder of any paid-up capital; or (ii.) when, although such a diminution or payment is involved, the creditor either consents or is secured or paid off.

Q. 7.—A call is made upon a shareholder to whom the company is indebted, both as a member of the Company and as an ordinary creditor. Before anything further happens the Company goes into liquidation. What are the respective legal rights of the shareholder and the Company? Would it make any difference to your answer if the member had become a bankrupt?

A. 7.—The member of the company, in the case put, has no right of set-off and must pay the call (*Calisher's case*, 5 L.R., Eq. 214; *Bennett's case*, L.R. 19 Eq. 449).

If the member has become bankrupt, the debt must be set-off against the call (*In re Duckworth*, L.R. 2 Ch. 578; *Ex parte Strang*, L.R. 5 Ch. 492).

Q. 8.—When may a creditor prove for interest on debts overdue at the date of a winding-up order? what rate of interest is allowed? and in respect of what period will it be calculated?

A. 8.—Creditors for debts, payable by virtue of a written instrument at a certain time, and overdue at the date of the winding-up order, may prove for interest at not more than 4 per

cent. to the date of the winding-up order from the date when the debt became payable; and if not payable by virtue of a written instrument, interest at a like rate may be provided for from the time when a demand in writing has been made giving notice that interest will be claimed. Only in the event of there being a surplus is there any claim for interest after the date of the winding-up order, in which case the dividends are treated as applicable in payment of interest first and then in reduction of capital.

Q. 9.—What statutory requirements relating to the appointment of directors must now be observed at the time of registration of a Company when the directors are named, and their share qualification prescribed in the Articles of Association?

A. 9.—The applicant for registration of a company must deliver to the Registrar a list of the directors who have consented. The director must either personally or by his agent (1) sign and file with the Registrar a consent in writing; (2) either sign the memorandum of association for a number of shares not less than his qualification, or sign and file a contract in writing to take from the company, and pay for, his qualification shares.

Q. 10.—How does the law stand under the Companies Act, 1900, as to the disclosure of contracts in a prospectus?

A. 10.—By Section 10 (1) (*k*) the prospectus must disclose the dates of, and parties to, every material contract, and a reasonable time and place at which the same, or copies, may be inspected. The section, however, exempts contracts entered into in the ordinary course of the business of the company and any contract entered into more than three years before the date of the publication of the prospectus. In the case of a prospectus published more than one year after the date at which the company is entitled to commence business, the obligation to disclose contracts is, by Section 10 (4) (*b*), limited to two years.

MERCANTILE LAW AND THE LAW OF ARBITRATIONS AND AWARDS.

Q. 1.—When the term fixed by the deed of partnership has expired, but the partners continue to carry on business without entering into any express new agreement, state shortly what you consider to be the nature of the partnership and the legal result of their so continuing business.

A. 1.—A continuance of the business without any settlement or liquidation of the partnership business is presumed to be a continuance of the partnership. The rights and duties of the partners remain the same as they were at the expiration of the term, so far as is consistent with the incidents of a partnership at will.

A clause giving a right of pre-emption and an arbitration clause have been held to operate after the expiration of the term; but *aliter* as regards a right of expulsion.

Q. 2.—How far will a breach of the contract by one of the parties discharge the other from his liability to perform his part of it?

A. contracts to buy goods from B. to be delivered by stated instalments, which are to be separately paid for, and B. makes a defective delivery in respect of the first instalment. What are A.'s rights?

A. 2.—It depends on the intention of the parties as evidenced by the whole contract. The points to be kept in view are:—(i.) Is the performance of some term on one side to be a condition precedent to anything being due on the other? (ii.) Are these reciprocal and concurrent conditions—*e.g.*, payments of goods on delivery? (iii.) Are the obligations of the parties independent?

In that case the only remedy for the breach is to be sought in damages.

The answer to the case put as to instalments depends on the intention of the parties. The question is expressly left open by Section 31 of the Sale of Goods Act, 1893.

Q. 3.—What are the rights of the holder of a bill who (1) cannot obtain an unqualified acceptance, (2) takes a qualified acceptance?

A. 3.—(1) He may treat the bill as dishonoured. (2) Any drawee or endorsee who has not authorised (*e.g.*, by the bill) or assented to such acceptance is discharged. This rule does not apply to a partial acceptance if the holder gives notice to the drawer and endorsers, and in case of a foreign bill protests as to the balance. Unless the drawer or endorser on receiving such notice dissent within a reasonable time he is deemed to have assented to the acceptance.

Q. 4.—A.'s wife, not having A.'s authority, but honestly believing that she has it, enters into a contract on his behalf with B. A. refuses to carry it out. Has B. any remedy against A. or his wife, and would it affect your answer if A.'s wife had previously entered into contracts with B. on A.'s behalf which A. had duly performed?

A. 4.—The answer depends on (i.) the nature of the contract—*e.g.*, the wife has implied authority to bind the husband for necessities; and (ii.) whether the husband has given the wife implied or ostensible authority to act for him. In this connection his performance of contracts previously entered into by her for him would obviously be important as evidence of implied authority.

Q. 5.—Has a surety for a debt any and what rights in respect of securities given by the principal debtor to the creditor?

A. 5.—It is the creditor's duty to surrender to the surety all securities given to him by the principal debtor, whether received before or after the date of the guarantee.

Q. 6.—A. has in connection with his business incurred a debt to B. A. sells his business to C., who agrees to pay all debts which have been incurred by A. in connection with it. B., who has been informed of this by C., brings an action against him for the amount of his debt. Can B. succeed? Give reasons for your answer.

A. 6.—No. There is no privity of contract between A. and C. But if B. sued A., A. would, of course, have his remedy over against C.

Q. 7. What are the remedies of the pawnee of goods who cannot obtain payment of his debt from the pawnor?

A. 7.—(i.) A pledge for a loan not greater than 10s. becomes the absolute property of the pawnbroker after a year and seven days, if not redeemed. (ii.) Any other pledge he may, after a like interval, sell at a pawnbroker's auction, held and advertised as prescribed by the Pawnbrokers Act, 1872. After deducting the money due and costs he must repay the surplus to the pawnor; but the surplus may be set off against what is deficient on the sale of another pledge by the same person within twelve months. The pawnbroker may also sue for a deficiency on the sale.

Q. 8.—State accurately the essential particulars both as regards nature and form of a sufficient acknowledgment of a debt to take the case out of the Statute of Limitations.

A. 8.—There are four requisites of a sufficient acknowledgment. (i.) It must be made in sufficient terms. (ii.) By the proper person—*i.e.*, the party chargeable, or his duly authorised

agent. (iii.) To the proper person—*i.e.*, the creditor or his agent. (iv.) In writing, but it need not be stamped.

Q. 9.—Has an arbitrator any and what power to direct by whom the costs of the reference and award shall be paid?

A. 9.—The costs of the reference and the award are in the arbitrator's discretion. He may direct to and by whom and in what manner they are to be paid, and may tax or settle the amount of costs to be so paid, and award costs as between solicitor and client. An arbitrator has a lien on his award for his fees.

Q. 10.—Is an arbitrator bound at the request of one of the parties to state a special case for the opinion of the Court, and, if so, what is the effect of his refusing to do so?

A. 10.—Any party may apply to an arbitrator to state a case, and if he refuses may move the Court to compel him to do so.

The
Institute of Chartered Accountants
in England and Wales.

List of Successful Candidates

At the **EXAMINATIONS** held in **JUNE 1901.**

PRELIMINARY EXAMINATION.

(Candidates who obtained a certain number of marks, in Order of Merit)

Name	Where educated
BAIRSTOW, E., Halifax (<i>Prize</i>)	Private Tuition
GARDNER, A. J., Bristol	Bristol Grammar School
USHERWOOD, J., Sheffield	Private Tuition
WATSON, J. R., Leicester	Wyggeston Boys' School
RAYMONT, F. R., Liverpool	Private Tuition
CROSS, J. G., Whitby	Spring Hill School, Whitby
TOMLINSON, O., London	Private Tuition
BAMPFYLDE, A. B. W., Bushey Heath	Private Tuition
FRANCIS, A. B. C., London	Rugby School
DEAN, R., Eccles	Manchester Grammar School
STRACHAN, C. M., Hull	Hymer's College, Hull
SODDY, R. J., Eastbourne	Eastbourne Old School
FITTON, J., Manchester	Grammar School, Middleton
HEATH, F. S., Leicester	Wyggeston Boys' School
DORNTON, C. L., Birmingham	Berkhampstead School
MEARES, C. S., Clive Hill	Uppingham School
STEVENSON, H. B., London	Dulwich College
(In alphabetical order)	
ACWORTH, J. G., Dartford	Kent College, Canterbury
ADAMS, T. J. B., Harlow	Bishop's Stortford Grammar School
ALLAN, W. C., Gateshead-on-Tyne	Private Tuition
ALLEN, S., Leicester	Private Tuition
ANDREWS, H. U., London	Holmwood, Bexhill-on-Sea

PRELIMINARY EXAMINATION—*continued.*

Name	Where educated
ASHWORTH, C. G., Sale, Cheshire	High School for Boys, Sale
ASTON, H. C., Birmingham	King Edward VI. Grammar School
BARTHOLOMEW, C. E., London	Private Tuition
BLACKBURN, H. M., Miln-row	Manchester Grammar School
BOND, S. B., Ipswich	Private Tuition
BOND, T. J., London	Grocers' Company's School
BOURNER, A. C., Feltham	Grammar School, Wellingborough
BROWN, C. T., Bath	Private Tuition
BURD, F. W., Heaton Moor	Private Tuition
CAMERON, H. J., Snaresbrook	Private Tuition
CANE, H., London	Private Tuition
CHARNLEY, W. R., Manchester	Private Tuition
CLARKE, E. W., Poynton	Private Tuition
CLOW, J. P., Leicester	Private Tuition
CONNOR, L. J., London	Westminster School
COSTELLO, E. G., London	Dulwich College
CRAMPTON, H., London	Brighton College
CRAWFORTH, F., Hull	Private Tuition
CUTFIELD, A. J., Ross	The College, Epsom
DAMS, W. E., Birmingham	Private Tuition
DARLEY, A. P., London	Private Tuition
DICKS, M. P., Leicester	Wyggeston Boys' School
DIXON, F. E., Leicester	Private Tuition
DRIFFIELD, F. V., Prescott	Private Tuition
EASTWOOD, J. E., Shipley	Private Tuition
ECCLESHALL, J., Farnworth	Farnworth Grammar School
EDWARDS, A. K., Birmingham	Heidelberg College, Germany
EDWARDS, A. L., Llandegveth, Mon.	Marlborough College
ELDER, G., Salford	Private Tuition
ELLERBY, H. F. St. G., London	Private Tuition
FAULKS, A. V., London	Christ's Hospital
FREEMAN, E. C., Leeds	Leeds Central Higher Grade School
FRITH, P. L., London	Halbrake School, Wandsworth
FRITH, R. G., London	Berkhampstead School
GILLIES, F. A., Alderley Edge	The Ryleys School, Alderley Edge
GITTINS, F. H. A., Dudley	Private Tuition
GOODENOUGH, H., Reading	Reading School
GRIFFIN, T., Manchester	Private Tuition
GUDGIN, H. O., Croydon	Whitgift Grammar School
HALLIDAY, D. D., Plymouth	Private Tuition

PRELIMINARY EXAMINATION—continued.

Name	Where educated
HANCOCK, W., Exeter	Exeter School
HARMOOD-BANNER, W., Neston, Cheshire	Winchester College
HARRISON, N., Hexham-on-Tyne	Private Tuition
HART, F. W., London	Private Tuition
HAWTHORNE, E. D., Uppingham	Aldenharn School, Elstree
HELLYAR, T. F., Heaton Moor	Private Tuition
HOLLOWAY, H. F., Nottingham	Private Tuition
HOLT, F. A., Manchester	Manchester Grammar School
HUNT, A., Manchester	Private Tuition
IRVIN, T. M., Newcastle-upon-Tyne	Private Tuition
JAMES, D. H., Hertford	Haileybury College
JARVIS, N. C. H., London	Private Tuition
JEFFERSON, J. A., West Bromwich	King William's College, I.M.
JENNINGS, W. J., Birmingham	Private Tuition
JONES, E. A. G., Pensnett, near Dudley	Private Tuition
JONES, E. D., Chorlton-cum-Hardy	Chorlton Grammar School
KILROE, W. R. R., Manchester	South Eastern College, Ramsgate
LAWSON, G. D., Leeds	Leeds Central Higher Grade Board School
LAYTON, G. A. F., London	Private Tuition
LEDGARD, R. A., Kirkby Lonsdale	Queen Elizabeth's Grammar School
LEE, F. W., Kibworth Harcourt	Private Tuition
LEVICK, H., Sheffield	Private Tuition
LINDLEY, A., Manchester	Manchester Central Higher Grade Grade Board School
LINGARD, S., Eccles	Manchester Grammar School
LITCHFIELD, T. A., Flore Fields, near Weedon	Private Tuition
LLOYD, P. A., Liverpool	Private Tuition
LUCKIN, J. C., Chelmsford	Norfolk College, Southsea
MACKRILL, O. W., Cottingham	Hymer's College, Hull
MARSH, R. L., York	Bootham School, York
MASON, H. H., London	Private Tuition
MATTHEW, A. J., London	Charterhouse School
MATTHEWS, G. H., Basingstoke	Queen Mary's School, Basingstoke
MEALS, J. R., Hull	Hymer's College, Hull
MELLOWS, J. H., South Woodford	King's College Choir School, Cam- bridge
MILLER, T. F., London	Private Tuition
MOYLE, B., Halifax	Private Tuition

PRELIMINARY EXAMINATION—continued.

Name	Where educated
OLIVER, F. S., Tynemouth	Private Tuition
OSBORNE, F. L., London	Private Tuition
PENNY, C. H., London	St. Dunstan's College, Catford
PEPPER, E. V. S., Gainsborough	Retford Grammar School
PILLING, T., Bury	Private Tuition
PITT, E. H., Huddersfield	Huddersfield College School
PLACE, R., Blackpool	Baines Grammar School, Poulton-le-Fylde
PRAGNELL, F., Jesmond-on-Tyne	Newcastle Modern School
REDDALL, L. A., Nottingham	Private Tuition
ROBERTS, H. G., Liverpool	Liverpool College, Upper School
ROBINSON, M. H., London	Private Tuition
ROBSON, T., Birkenhead	Birkenhead Institute
ROWLATT, T. E., Leicester	Private Tuition
RUTHERFORD, P. R., Kenley	Uppingham School
SCOTT, A., Hyde	Private Tuition
SCOTT, J. D., Burnley	Burnley Grammar School
SHACKLETON, C. F., Derby	Whitworth School, Derby
SHARP, F. B., Nottingham	Nottingham High School
SHARP, R. C., Carlisle	Albert House School, Carlisle
SOUTER, F. D., Wigan	Private Tuition
SPENCER, C. E., Hull	Grammar School, Hull
TAYLOR, J. J. V., Manchester	Private Tuition
TOMASSON, H. H., Sheffield	Wesley College, Sheffield
TOOTILL, S., Manchester	Private Tuition
TURNBULL, F. M., Hull	Hymer's College, Hull
VENABLES, E. P., London	University School, Hastings
WALKER, V., Manchester	Sale High School for Boys
WARE, R. E., Bristol	Channel View School, Clevedon
WARREN, C. P. J., Wallington	Private Tuition
WEBB, E. C., London	Private Tuition
WESTHEAD, J. W., Preston	St. Lawrence's College, Ampleforth
WHEATLEY, G. L., Poole	Sutton Valence Grammar School
WHINNERAH, F. M., Birkenhead	Birkenhead School, Limited
WHITEHEAD, J. H., Leeds	Leeds Central Higher Grade School
WHITFIELD, H. S., Bradford	Woodhouse Grove School
WILSHIRE, H. B., Derby	Whitworth School, Derby
WILSON, J. Junr., Ryton-on-Tyne	Elmfield College, York
WINN, J., Newcastle-upon-Tyne	Private Tuition
WRIGHT, F. O., Nottingham	Private Tuition

63 Candidates failed to satisfy the Committee.

INTERMEDIATE EXAMINATION.

(Candidates who obtained a certain number of marks, in Order of Merit)

- SPENCER, M. C. (*Prize*), (A. Miall), London
 FURNIVAL, T. F. (W. H. Chantrey), London
 PLATFORD, J. H. (R. F. Allured), Manchester
 DYSON, H. W. (H. A. Pepper), Birmingham
 { MEYER, O. B. (F. S. Salaman), London
 { PARTRIDGE, A. H. (F. Haydon), London
 KING, H. J. (W. J. King), Gravesend
 HOOPER, C. O. (J. S. Cotman), London
 FLETCHER, S. (J. Youatt), Manchester
 { CROCKER, W. H. (S. Hare), Bristol
 { KEMP, W. L. (H. F. Hill), London
 { GREENWOOD, T., Junr. (J. G. Griffiths), London
 { PARKER, A. E. (C. F. Elles), London
 { JACKSON, F. B. (F. S. Abbott), Manchester
 { GOW, P. (C. W. A. Tulloch), London
 { TOOKE, A. (E. Hart), London
 RICHARDSON, E. P. (H. C. Richardson), London
 COOKE, H. P. (C. H. Nevill), London
 { BURFIELD, S. (W. L. White), London
 { SIER, H. E. (C. T. Viney), London
 JOHN, A. O. (R. P. Pike), Swansea
 BUCKINGHAM, A. T. (L. H. Lemon), London
 { GOTTSCHALCK, A. (W. Glossop), Bradford
 { PEARCE, W. A. (J. A. Tinling), London
 RIDYARD, J. (H. Haley), Manchester
 FRYER, C. A. (T. S. Wederell), London
 MORGAN, E. V. (C. S. Ware), Bristol
 WEBB, H. J. (W. G. Blakemore), London
 { BURGESS, J., Junr. (S. Ralphs), Stockport
 { GREENWOOD, T. (C. Cooper), Manchester

(In alphabetical order)

- AIRY, E. W. (A. O. Miles), London
 ALDERSON, E. R. (A. H. Randall), London
 ALDERSON, J. T. (W. H. Davy), North Shields
 ALLEN, C. B. (E. E. Sparshott), Birmingham
 ANDERSON, A. (J. W. Jones), Manchester
 ANDERSON, H. (W. Dearden), Manchester
 ASHBY, H. (G. Wilkins), London
 AYRTON, C. F. M. (R. F. Allured), Manchester
 BAGLEY, A. (L. H. Elkington), Birmingham
 BARBOUR, E. (T. Lloyd), Liverpool
 BISHOP, W. L. (M. Jenks), London

INTERMEDIATE EXAMINATION—continued.

BOLTON, C. H. (H. Lakin-Smith), Birmingham
BOWLER, J. S. (W. Ashworth), Manchester
BRADBURN, J. G. (H. Naylor), Manchester
BRIGHAM, M. C. (R. W. Sisson), Newcastle-upon-Tyne
BROOKS, J. H. (J. A. Tinling), London
CALLINGHAM, R. R. (S. B. Smyth), London
CARPENTER, R. (R. Clover), Brighton
CARR, J. G. (J. Carr), London
CATLING, B. (E. G. Davies), London
CHRISTIE, H. D. (A. F. Whinney), London
CLARKE, F. G. (E. Boothroyd), London
CLAYTON, A. E. (C. W. M. Kemp), London
COLLINS, C., Junr. (H. A. Maw), Liverpool
COOPER, T. T. (O. H. Caldicott), Birmingham
CORNTHWAITE, A. (W. Brining), Sheffield
DANIEL, W. P. (J. Gane), London
DAVIES, E. G. (S. Davies), Swansea
DEVIN, A. E. (F. P. Walter), London
DIXON, J., Junr. (E. S. Holmes), Manchester
DUNLOP, K. B. (T. Howard), Bradford
DUNN, D. J. (L. A. Voisey), Warrington
EDWARDS, H. J. (J. H. Tilly), London
ELLIOTT, A. H. (A. J. Davis), London
ELLIS, H. S. (W. J. Davidson), Birmingham
FISH, J. S. (W. R. Clarke), Manchester
FOGG, J. W. (T. S. Fogg), Liverpool
FOOTE, A. M. (P. D. Griffiths), London
GODKIN, H. (E. Dexter), London
GREEN, F. E. (L. Broderick), Manchester
HALL, A. A. (F. Brown), Stockton-on-Tees
HALL, G. E. (A. A. Gillies), Manchester
HARDING, J. C. (R. E. Smalley), Preston
HENNELL, B. (H. F. Knight), London
HESKETH, J. W. (J. C. Bladen), Hanley
HILL, S. H. (T. C. Leman), Nottingham
HILLYER, A. H. (W. E. Vellacott), London
HIRST, J. W. (J. W. Close), Leeds
HOLEY, A. W. (H. Rawlings), Sunderland
IBBETSON, B. (F. Craven), Bradford
JACKSON, L. N. (J. Jackson), Manchester
JAMIESON, P. S. (D. F. Basden), London
JEE, W. H. (S. P. Child), London

INTERMEDIATE EXAMINATION—continued.

JOHNSON, F. C. (H. Squance), Sunderland
JONES, T. I. (W. Swan), Newcastle-upon-Tyne
KIDSON, H., Junr. (R. V. Critchley), Manchester
LANCASTER, J. H. L. (J. G. Langton), London
LEAN, E. W. (R. L. Impey) Birmingham
LEATHER, G. (J. W. Davidson), Liverpool
LODGE, M. (W. S. Thornton), Liverpool
MCLAREN, J. W. (J. L. Oliver), Newcastle-upon-Tyne
MARRIAN, J. H. R. F. (J. H. Heaton), Birmingham
MARSHALL, H. B. (E. W. Marshall), Manchester
MASSEY, J. W. (A. J. Williams), Birmingham
MILNE, A. J. (H. T. McAuliffe), London
MORRIS, F. D. (L. C. Cropper), London
NEWSON-SMITH, H. H. (W. F. Mills), London
ORMSBY, J. G. (O. W. Williams), London
PARK, J. T. M. (B. Cookson), Liverpool
PARSONS, J. C. (E. M. Sharp), Birmingham
PEMBERTON, H. (A. C. Bourner), Hanley
PINKNEY, C. R. (E. J. Wilkinson), Sunderland
PORTER, R. H. (F. J. Searle), London
POWNCEBY, R. F. (W. Plender), London
RIDGWAY, A. C. (R. W. Scurrah), Birmingham
ROBSON, T. (M. Stainton, Junr.), Newcastle-upon-Tyne
ROPER, F. M. (H. F. Hartman), Bradford
SAMMAN, J. C. (T. P. West), London
SARGANT, A. F. (A. H. Ernst Champness), London
SCASE, T. B. (T. Leman), Nottingham
SEYMOUR, M. R. (G. B. Nancarrow), Middlesbrough
SHEEROTT, J. C. (W. A. Schultz), London
SMITH, G. O. H. (H. S. Smith), Birmingham
SMITH, J. S. (E. Hull), Manchester
SMITH, W. G. L. (A. H. Gibson), Birmingham
SPENCER, W. H. (W. C. Spencer), Liverpool
SPINK, J. H. (F. Craven), Bradford
STOCKER, F. C. (T. Wood), Manchester
STOW, D. F. (E. Bailey), London
SUNLEY, H. (W. Sunley), London
SWINNERTON, G. E. (F. Hyland), London
TAYLOR, S. (R. V. Critchley), Manchester
THOMAS, A. E. (R. G. Cawker), Swansea
THOMASON, J. (H. Hill), Manchester
THORNTON, H. D. (S. R. Wilby), Leicester

INTERMEDIATE EXAMINATION—continued.

THURSTON, J. W. (J. Peirson), London
 TILLEY, J. P. (C. Smith), Bristol
 TONGUE, P. B. (A. Tongue), Manchester
 TRAVELL, G. H. (J. N. Derbyshire), Nottingham
 WATERHOUSE, N. E., B.A. (A. W. Wyon), London
 WATTS, W. H. (J. B. Reeves), London
 WEIR, T. B. (E. Hull), Manchester
 WELLS, A. V. (E. Wells), London
 WHITAKER, H. (D. Roberts), Cardiff
 WHITEHOUSE, C. (H. Ashford), Birmingham
 WICKHAM, F. M. (T. H. Breden), London
 WILLIAMS, W. (C. E. Williams), Oswestry
 WOOSTER, M. C. (P. H. Le Sueur), London
 WORRALL, J. (F. Youatt), Manchester

45 Candidates failed to satisfy the Committee.

FINAL EXAMINATION.

(Certificates in Order of Merit)

TOMLINSON, W. C. (G. Cloutte), London
 HOLMES, J. S. (T. H. Maskall), London
 NICHOLAS, L. (P. Lloyd), Liverpool
 VASEY, T. (A. P. Spence), Newcastle-upon-Tyne
 BROOKE, A. D. (J. E. Whitham), Halifax
 DICKIN, A. F. (M. Jenks), London
 GRACE, W. (H. E. Grace), Bristol
 PRIESTLEY, F. G. (J. Priestley), London
 DEATH, A. W. (J. H. Baker), Leicester
 THORNTON, R. W. (E. J. Palmer), London
 TURVILLE, G. A. (F. Impey), Birmingham

(In alphabetical order)

BARTHOLOMEW, A. G. (A. H. P. Stoneham), London
 BARTLETT, R. W. (J. Jenkins), Cardiff
 BATT, A. A. (P. R. Sewell), Bradford
 BLACKFORD, R. A. (S. G. Cole), London
 BROWN, E. A. (R. T. Heselton), Bradford
 CHAMPNESS, C. M. (C. H. Champness), London
 CLARKE, L. G. (E. Clarke), London
 CUE, J. S. (E. L. Bennett), London
 DAVIDSON, A. F. (W. A. Smith), South Shields
 DAVIDSON, W. A. (J. W. Davidson), Liverpool
 DAWSON, W. S. (C. D. Ross), London
 DUNSTAN, A. H. (A. H. Gibson), Birmingham
 EVERETT, H. B. (H. Calder Marshall), London
 FLETCHER, C. E. (Ernest Cooper), London
 GLENTON, A. H. S. (W. A. Rycroft), Newcastle-upon-Tyne
 GRAHAM, H. M. (C. Fitch Kemp), London
 GREGSON, A. G. (J. Gregson), Hull
 GRUNDY, C. V. (W. C. Jackson), London
 GUERRIER, H. T. (A. A. James), London
 HANSON, W. J., B.A. (R. Crane), London

FINAL EXAMINATION—continued.

HARROP, A. E. (J. Mather), Manchester
 HAYWARD, A. J. (H. E. Hubbard), Nottingham
 HUGHES, E. L. (C. H. Hughes), London
 JOHNSON, R. G. (J. Youatt), Manchester
 LAWRENCE, J. E. (A. J. Chamberlain), Nottingham
 LEONARD, H. C. (F. N. Tribe), Bristol
 LINTOTT, F. M. (E. Lintott), London
 LORD, R. H. (W. Ashworth), Manchester
 MAPPLEBECK, W. H. (W. Randle), Birmingham
 MARSHALL, H. (S. Taylor), Manchester
 MARTIN, A. (W. Kay), Bolton
 MATTHEWS, J. E. (A. J. Rhodes), London
 MAY, H. H. (W. H. May), London
 MIDDLETON, R. W. (J. L. Oliver), Newcastle-upon-Tyne
 MUNKMAN, C. H. (W. S. Blackburn), Leeds
 NEISON, F. G. P. (W. C. Thomson), London
 NIXON, J. G., Junr. (W. Swan), Newcastle-upon-Tyne
 NOËL, R. S. (J. G. Jones), Cardiff
 ORMROD, E. M. (H. N. French), Liverpool
 PERKINS, A. E. (W. M. Hunt), Bristol
 PLATTS, W. H. (S. C. Platts), Scarborough
 PORTER, H. S. (T. E. Kimberley), Birmingham
 REED, E., B.A. (J. G. Fowler), London
 REED, S. A. (H. C. Richardson), London
 REMINGTON, J. F. (F. J. Heathcote), Birmingham
 SAWERS, J. (E. Wells), London
 SHACKELL, A. T. (I. J. Roberts), Cardiff
 SIMPSON, B. W. (A. T. Chew), London
 SLEE, E. A. (J. G. Dennehy), Bristol
 SMITH, W. H. (J. S. Harmood-Banner), Liverpool
 SMYRKE, W. (C. O. Nicholson), Sunderland
 SNEATH, E. S. (G. Sneath), London
 STOCKS, A. (J. Duff), Halifax
 STONES, J. (W. A. Addinsell), Birmingham
 TAYLOR, C. G. (T. C. Leman), Nottingham
 THORNELLY, J. (H. Jackson), Chester
 TREACHER, A. E. (S. Edds), London
 WARRINER, A. H. (H. Hands), Birmingham
 WAWN, F. M. (F. C. Squance), Sunderland
 WEATHERSTONE, H. (W. L. White), London
 WESTON, E. (W. Holmes), Sheffield
 WILKINSON, L. (T. Bowden), Newcastle-upon-Tyne
 WILLIAMS, R. J. (R. A. Felton), Birmingham
 WILSON, R. H. (G. W. L. Thompson), Birmingham
 WYLLIE, J. S. (J. E. Wilson), London
 WYNN, A. H. (J. H. Merrett), London
 YOUNG, R. E. A. (A. A. Moore), London

63 Candidates failed to satisfy the Committee.

EXAMINATION EQUIVALENT to the FINAL

KNILL, W. C. (James Knill & Co.), Exeter

1 Candidate failed to satisfy the Committee.

THE RECTORY, ORCHESTON ST. MARY, S.O., WILTS, and
HAMPDEN HOUSE, PHENIX STREET, LONDON, N.W.

THE

Rev. G. T. P. STREETER, B.A.

(Clare College, Cambridge).

Classical Scholar, Exhibitioner, and Prizeman of his College,
First Senior Optime in Mathematics, and First Class Moral Science,
Author of "The Metric System," and the Answers to the Questions of the Preliminary
Examination of the Institute of Chartered Accountants in
"The Accountants' Manual," &c.,

AND

Mr. T. E. STREETER.

Author of "The Elements of Practical Bookkeeping," and the Answers to the
Questions of Examination, Part I., of the Institute of Actuaries,
for April 1901, &c.,

prepare Candidates for the Preliminary of the Institute of Chartered Accountants
and other Examinations, by correspondence or *visà voce* in the City
or with board at Orcheston St. Mary, as above.

168 Pupils passed, including 30 for the Chartered Accountants' Preliminary.

Terms on application.

REFERENCE TO

H. F. BAILEY, Esq., M.R.C.S., 3 Lee Terrace, Lee.
A. DAY Esq., 28 Great George Street, Westminster.
E. ONSLOW FORD, Esq., R.A., 62 Acacia Road, London, N.W.
Rev. L. A. SMITH, Little Bedwyn Vicarage, Hungerford, Wilts.
T. MAXWELL, Esq., M.D., 39 Woolwich Common, S.E.

MANDEVILLE B. PHILLIPS, Esq., 1 Tavistock Square, W.C.
J. JENKYN, Esq., Derby House, Squirrel's Heath, Komford, Essex.
C. GARDINER, Esq., 47 Blessington Road, Lee, S.E.
A. MURRAY KNIGHT, Esq., Bank House, Chapel Street, Devonport.

TESTIMONIALS.

TAVISTOCK LODGE, 47 BLESSINGTON ROAD, LEE, S.E., June 11th 1894.

DEAR SIR,—I am writing you a few lines, now that my Examination is over, to give you my best thanks for the admirable way in which you coached me, and for the great pains you bestowed on my weak points. If an opportunity presents itself, I shall be very glad to recommend you to anyone who may require a Tutor.—I remain, yours faithfully,

Rev. G. T. P. STREETER.

CHARLES GARDINER.

BUCKLAND LODGE, CROYDON, July 18th 1895.

DEAR SIR,—As I believe that my success at the recent Preliminary Examination of the Chartered Accountants was in a great measure due to the careful way in which you coached me for it, I have much pleasure in acknowledging my obligation to you, and I shall confidently recommend you to anyone I know requiring thoroughly good coaching.—I remain, yours truly,

Rev. G. T. P. STREETER.

PERCY A. BOWYER.

THE POPLARS, BASS STREET, DERBY, December 10th 1900.

MY DEAR SIR,—I very much appreciate what you have done for my son in preparing him for the Chartered Accountants' Preliminary Examination, and the kindly interest you have taken in his welfare during his residence at your house. He appears to be stronger and better in every way.—Believe me yours faithfully,

Rev. G. T. P. STREETER, Orcheston St. Mary.

FRED. L. SOWTER.

9 ARLINGTON PARK GARDENS NORTH, GUNNERSBURY, 17th May 1900.

DEAR SIR,—I have just heard that I have obtained a second-class in the Examination Part I. of the Institute of Actuaries. This success is due to the careful and thorough manner in which you instructed me in the Higher Algebra. I shall always be happy to mention your name to any of my friends that may require a Tutor. Wishing you every success with your future pupils.—I remain, yours sincerely,

T. E. STREETER, Esq.

JAMES GARNER.

TO T. E. STREETER, Esq.

96 BYRON ROAD, BIRMINGHAM, 15th May 1901.

DEAR SIR,—I am pleased to inform you that I have just received the welcome news that I have passed the Examination Part I. of the Institute of Actuaries. I am sure that this result is due in a great measure to your careful tuition, and I have been very pleased to note the prompt manner in which my papers were returned, and the careful corrections which they received at your hands. I was particularly impressed with your skill in preparing me for "catchy questions." I was able to cope with the difficulties of several of the questions set (notably Nos. 6, 10, and 20) entirely through the careful manner in which you had prepared me, and the excellent notes you sent me dealing with the difficulties connected with the Theory of Probabilities. Again thanking you for your tuition, I remain, dear Sir, yours truly,

HY. HARPER.

The
Institute of Chartered Accountants
in England and Wales.

PART III. Vol. VIII. of the

ACCOUNTANTS' MANUAL

BEING

THE QUESTIONS

set at the Preliminary, Intermediate & Final
Examinations for December 1901,
with the ANSWERS thereto.

*The Answers to the Questions set at the Preliminary Examination are by Messrs.
Streater & Streater, of The Rectory, Orcheston St. Mary, S.O., Wilts., and
Hampden House, Phoenix Street, London, N.W.*

PRELIMINARY EXAMINATION, DEC. 1901.

The ANSWERS to the QUESTIONS set at the Preliminary Examination are by Messrs. STREETER & STREETER, of the Rectory, Orcheston St. Mary, S.O., Wilts., and Hampden House, Phoenix Street, London, N.W.

ALGEBRA.

Q. 1.—(i.) Show that the product of any two consecutive numbers is equal to the square of the first number plus that number, or the square of the second number less the number.

(ii.) I have a multiplication table giving the products of all numbers of three digits each: how can I use it to get the product of two numbers of six digits each?

A. 1.—

(i.) Let x and $x+1$ denote any consecutive numbers.

$$\begin{aligned}\text{Then } x(x+1) &= x^2 + x \\ &= x^2 + 2x + 1 - x - 1 \\ &= (x+1)^2 - (x+1).\end{aligned}$$

(ii.) Let P denote a number consisting of six digits

$$\text{and let } P = 10^3 p_1 + p_2$$

where p_1 and p_2 denote numbers consisting each of three digits

Also let Q denote another number consisting of six digits

$$\text{and let } Q = 10^3 q_1 + q_2$$

where q_1 and q_2 denote numbers consisting each of three digits.

Then to find the product of P and Q we have

$$\begin{aligned}P \times Q &= (10^3 p_1 + p_2)(10^3 q_1 + q_2) \\ &= 10^6 p_1 q_1 + 10^3 p_1 q_2 + 10^3 p_2 q_1 + p_2 q_2\end{aligned}$$

and all these required products can be obtained from the table.

Q. 2.—Reduce to a common denominator, and simplify as far as you can—

$$\frac{1}{a^2 - b^2} - \frac{a}{a^3 - b^3} - \frac{a}{a^5 + b^5} + \frac{a^3}{a^4 + a^2 b^2 + b^4}.$$

Verify your answer by putting $a=2$, $b=1$.

A. 2.—

$$\begin{aligned} & \frac{1}{a^2 - b^2} - \frac{a}{a^3 - b^3} - \frac{a}{a^3 - b^3} + \frac{a^2}{a^4 + a^2b^2 + b^4} \\ &= \frac{(a^4 + a^2b^2 + b^4) - a(a^3 + b^3) - a(a^3 + b^3) + a^2(a^2 - b^2)}{(a^2 - b^2)(a^4 + a^2b^2 + b^4)} \\ &= \frac{b^4}{(a^2 - b^2)(a^4 + a^2b^2 + b^4)} \end{aligned}$$

and putting $a = 2$ & $b = 1$ in this result we obtain $\frac{1}{63}$.

But original expression is equal to $\frac{1}{3} - \frac{2}{7} - \frac{2}{9} + \frac{4}{21}$

which also reduces to $\frac{1}{63}$, which proves the truth of our result.

Q. 3.—Simplify—

$$\begin{aligned} \text{(i.) } & \frac{\sqrt{a}}{\sqrt{a} - \sqrt{b}} - \frac{\sqrt{b}}{\sqrt{a} + \sqrt{b}}; \\ \text{(ii.) } & \left(\frac{y^2 + x^2}{y^2 - x^2} - \frac{y^2 - x^2}{y^2 + x^2} \right) \times \frac{1}{8} \left(\frac{x+y}{x-y} + \frac{x-y}{x+y} \right) \left(\frac{x^2}{y^2} + \frac{y^2}{x^2} - 2 \right). \end{aligned}$$

A. 3.—

$$\begin{aligned} \text{(i.) } & \frac{\sqrt{a}}{\sqrt{a} - \sqrt{b}} - \frac{\sqrt{b}}{\sqrt{a} + \sqrt{b}} = \frac{\sqrt{a}(\sqrt{a} + \sqrt{b}) - \sqrt{b}(\sqrt{a} - \sqrt{b})}{a - b} \\ &= \frac{a - b}{a - b} \\ &= 1 \text{ Ans.} \\ \text{(ii.) } & \left(\frac{y^2 + x^2}{y^2 - x^2} - \frac{y^2 - x^2}{y^2 + x^2} \right) \times \frac{1}{8} \left(\frac{x+y}{x-y} + \frac{x-y}{x+y} \right) \left(\frac{x^2}{y^2} + \frac{y^2}{x^2} - 2 \right) \\ &= \frac{(y^2 + x^2)^2 - (y^2 - x^2)^2}{(y - x)(y + x)(y^2 + x^2)} \times \frac{1}{8} \times \frac{(x + y)^2 + (x - y)^2}{(x - y)(x + y)} \times \frac{x^4 + y^4 - 2x^2y^2}{x^2y^2} \\ &= \frac{4x^2y^2}{(y - x)(y + x)(y^2 + x^2)} \times \frac{1}{8} \times \frac{2(x^2 + y^2)}{(x - y)(x + y)} \times \frac{(x - y)^2(x + y)^2}{x^2y^2} \\ &= \frac{8x^2y^2(x - y)^2(x + y)^2(x^2 + y^2)}{8x^2y^2(x - y)^2(x + y)^2(x^2 + y^2)} \\ &= -1 \text{ Ans.} \end{aligned}$$

Q. 4.—Write down the expansion of $(ax^2 + bx + c)^3$.

Find the Square Root of $4x^4 + 12x^3 + 13x^2 + 6x + 1$ by comparing the expression with your answer to the first half of the question.

A. 4.—

$$\begin{aligned}
 (ax^2 + bx + c)^2 &= a^2 x^4 + 2abx^3 + (2ac + b^2) x^2 + 2bcx + c^2 \text{ and} \\
 4x^4 + 12x^3 + 13x^2 + 6x + 1 \\
 &= 2^2 x^4 + 2 \cdot 2 \cdot 3 x^3 + (2 \cdot 2 \cdot 1 + 3^2) x^2 + 2 \cdot 3 \cdot 1 x + 1^2
 \end{aligned}$$

Whence comparing these two results we see that the required square root is

$$2x^2 + 3x + 1.$$

Q. 5.—The sum of a number and of its square root is 42. Find the number.

Why do you obtain two answers to the question?

A. 5.—

Let x^2 = the required number.

$$\text{Then } x^2 + x = 42$$

$$\text{or } x^2 + x - 42 = 0$$

$$\text{factorizing } (x + 7)(x - 6) = 0$$

$$\text{whence } x = 6 \text{ or } -7$$

$$\therefore x^2 = 36 \text{ or } 49.$$

All quadratic equations have two different roots, as they arise from the multiplication of two factors.

Q. 6.—A. and B. are set loading bricks into carts. When working together they take $4\frac{1}{2}$ hours to load 9,000; when they work separately it takes 3 hours of A.'s work together with 5 hours of B's work to load the same number. How many does each load per hour.

A. 6.—

Let x = number of bricks A can load in an hour.

$$y = \quad \text{''} \quad \text{''} \quad \text{''} \quad \text{B} \quad \text{''} \quad \text{''} \quad \text{''}$$

$$\text{Then } 4\frac{1}{2}(x + y) = 9000$$

$$\therefore x + y = 2000 \quad (\alpha)$$

$$\text{And } 3x + 5y = 9000 \quad (\beta)$$

$$\times \alpha \text{ by } 3 \quad 3x + 3y = 6000$$

$$\text{subtract} \quad 2y = 3000$$

$$\div \text{ by } 2 \quad y = 1500$$

$$\text{substitute in } \alpha \quad x + 1500 = 2000$$

$$\therefore x = 500$$

$$\begin{array}{l}
 x = 500 \\
 y = 1500
 \end{array} \text{ Ans.}$$

Q. 7.—Solve the following equations:—

(i.) $\sqrt{x+22} - \sqrt{x+11} = 1$;

(ii.) $x + \frac{10}{y} = 5 \cdot 5$, $\frac{6}{x} + y = 6$.

A. 7.—

(i.) $\sqrt{x+22} - \sqrt{x+11} = 1$ (α)

as an identity we have

$\frac{(x+22) - (x+11)}{\sqrt{x+22} + \sqrt{x+11}} = 1$ (β)

÷ by α $\sqrt{x+22} + \sqrt{x+11} = 11$ (γ)

add α and γ $2\sqrt{x+22} = 12$

÷ by α $\sqrt{x+22} = 6$

square $x + 22 = 36$

∴ $x = 14$ Ans.

(ii.) $x + \frac{10}{y} = 5\frac{1}{2}$ (α) $\frac{6}{x} + y = 6$ (β)

from α $x = \frac{11}{2} - \frac{10}{y} = \frac{11y - 20}{2y}$

substitute in β $\frac{12y}{11y - 20} + y = 6$

whence $12y + 11y^2 - 20y = 66y - 120$

simplifying $11y^2 - 74y + 120 = 0$

factorizing $(11y - 30)(y - 4) = 0$

whence $y = \frac{30}{11}$ or 4

∴ $x = \frac{30 - 20}{\frac{60}{11}}$ or $\frac{44 - 20}{8}$

$= \frac{110}{60}$ or $\frac{24}{8}$

$= \frac{11}{6}$ or 3

$\left. \begin{array}{l} x = \frac{11}{6} \text{ or } 3 \\ y = \frac{30}{11} \text{ or } 4 \end{array} \right\} \text{Ans}$

Q. 8.—If the three equations

$$a_1x + b_1y = c_1, \quad a_2x + b_2y = c_2, \quad a_3x + b_3y = c_3$$

are all true, what relation must hold between the constants?

Are the following equations consistent?—

$$3x + 4y = 40, \quad 7x + 6y = 70, \quad 11x + 5y = 79.$$

A. 8.—

$$a_1x + b_1y = c_1 \quad (\alpha) \quad a_2x + b_2y = c_2 \quad (\beta) \quad a_3x + b_3y = c_3 \quad (\gamma)$$

$$\times \alpha \text{ by } a_2 \quad a_1 a_2 x + a_2 b_1 y = a_2 c_1$$

$$\times \beta \text{ by } a_1 \quad a_1 a_2 x + a_1 b_2 y = a_1 c_2$$

$$\text{subtract} \quad y(a_2 b_1 - a_1 b_2) = a_2 c_1 - a_1 c_2$$

$$\therefore y = \frac{a_2 c_1 - a_1 c_2}{a_2 b_1 - a_1 b_2}$$

$$\text{substitute in } \alpha \quad a_1 x + \frac{a_2 b_1 c_1 - a_1 b_1 c_2}{a_2 b_1 - a_1 b_2} = c_1$$

$$\text{whence} \quad x = \frac{b_1 c_2 - b_2 c_1}{a_2 b_1 - a_1 b_2}$$

$$\text{substitute for } x + y \text{ in } \gamma \quad \frac{a_3 b_1 c_2 - a_3 b_2 c_1}{a_2 b_1 - a_1 b_2} + \frac{a_2 b_3 c_1 - a_1 b_3 c_2}{a_2 b_1 - a_1 b_2} = c_3$$

$$\therefore a_3 b_1 c_2 - a_3 b_2 c_1 + a_2 b_3 c_1 - a_1 b_3 c_2 = a_2 b_1 c_3 - a_1 b_2 c_3$$

which is the relation required.

Note.—The above solution has been purposely worked without applying the method of cross multiplication.

$$\text{In the result put } a_1 = 3; a_2 = 7; a_3 = 11$$

$$b_1 = 4; b_2 = 6; b_3 = 5$$

$$c_1 = 40; c_2 = 70; c_3 = 79$$

and we have

$$11 \times 4 \times 70 - 11 \times 6 \times 40 + 7 \times 5 \times 40 - 3 \times 5 \times 70 = 7 \times 4 \times 79 - 3 \times 6 \times 79$$

$$\text{i.e.} \quad 44 \times 70 - 66 \times 40 + 35 \times 40 - 15 \times 70 = 28 \times 79 - 18 \times 79$$

$$\text{and} \quad 29 \times 70 - 31 \times 40 = 10 \times 79$$

$$\text{or} \quad 2090 - 1240 = 790$$

$$\text{i.e.} \quad 790 = 790$$

whence the equations are consistent.

Q. 9.—What is the power of x in each of the following cases?—

$$[(\sqrt[3]{x})^4]^{\frac{1}{2}}, \quad (\sqrt[3]{x^4})^{\frac{1}{2}}, \quad \sqrt{x} \times \sqrt[3]{x} \times x^2.$$

A. 9.—

$$[(\sqrt[3]{x})^4]^{\frac{1}{2}} = [(x^{\frac{4}{3}})]^{\frac{1}{2}} = x^{\frac{4}{3}} \times \frac{1}{2} = x^{\frac{2}{3}} \text{ Ans.}$$

$$(\sqrt[3]{x^4})^{\frac{1}{2}} = (x^{\frac{4}{3}})^{\frac{1}{2}} = x^{\frac{4}{3}} \times \frac{1}{2} = x^{\frac{2}{3}} \text{ Ans.}$$

$$\sqrt{x} \times \sqrt[3]{x} \times x^2 = x^{\frac{1}{2}} \times x^{\frac{1}{3}} \times x^2 = x^{\frac{1}{2} + \frac{1}{3} + 2} = x^{\frac{3}{6} + \frac{2}{6} + \frac{12}{6}} = x^{\frac{17}{6}} \text{ Ans}$$

ARITHMETIC.

Q. 1.—If £1 sterling exchange for 4·85 dollars and for 25·25 francs, express in dollars a quarter of a million francs.

A. 1.—

$$\begin{aligned}
 25 \cdot 25 \text{ francs} &= 4 \cdot 85 \text{ dollars} \\
 \therefore 250,000 \quad ,, &= \frac{485 \times 250000}{2525} \text{ dollars} \\
 &= \frac{4850000}{101} \quad ,, \\
 &= 48019 \frac{1}{101} \quad ,, \\
 &= 48019 \cdot 8019 \quad ,,
 \end{aligned}$$

Q. 2.—Explain, as generally as you can, how it is that the remainder obtained by dividing any number by 9 is the same as that obtained by dividing the sum of its digits by 9.

A. 2.—

Any number consists of its unit's digit and a multiple of 10; or a multiple of 9 + the sum of the digits—

$$\begin{aligned}
 \text{e.g. } 739 &= 73 \times 10 + 9 \\
 &= 73 \times 9 + 73 + 9 \\
 &= 73 \times 9 + 70 + 3 + 9 \\
 &= 73 \times 9 + 7 \times 9 + 7 + 3 + 9 \\
 &= (73 + 7) \times 9 + 7 + 3 + 9 \\
 \therefore \text{the remainder obtained by dividing} \\
 739 \text{ by } 9 \text{ which} &= 1 \text{ as } \frac{739}{9} = 82 \frac{1}{9}
 \end{aligned}$$

is the same as dividing $7 + 3 + 9$ by 9

$$\frac{7 + 3 + 9}{9} = \frac{19}{9} = 2 \frac{1}{9}$$

the remaining term $(73 + 7) \times 9$ being a multiple of 9 and leaving no remainder; and so with any other number.

Q. 3.—Find, approximately, the length of a square field that is equal in area to a rectangular field measuring 3472 feet by 589 feet. Express the area in acres correct to one-thousandth part of an acre.

A. 3.—

$$\begin{aligned}
 \text{Required length} &= \sqrt{3472 \times 589} \text{ ft.} \\
 &= \sqrt{2045008} \text{ ft.} \\
 &= 1430.087 \text{ ft. Ans.} \\
 \text{Area in acres} &= \frac{2.045008}{4840 \times 9} \\
 &= .88181 \text{ Ans.}
 \end{aligned}$$

Q. 4.—Multiply, in the shortest way you can, correct to *three* places of decimals, 13.4159 by 273.0182.

A. 4.—

$$\begin{array}{r}
 13.415900 \\
 2810372 \\
 \hline
 26831800 \\
 9391130 \\
 402477 \\
 .1342 \\
 .1073 \\
 27 \\
 \hline
 3662.7849
 \end{array}
 \qquad
 \text{Ans.} = 3662.784.$$

Q. 5.—A cistern filled by three pipes —by *A* alone in 8 hours, by *B* in 10 hours, and by *C* in 12 hours. It can be emptied by a fourth pipe *D* in $6\frac{1}{2}$ hours. If (i.) *A*, *B*, and *D* are open together, and (ii.) *B*, *C*, and *D* are open together, in what time in each case will the cistern fill ?

A. 5.—

A alone fills $\frac{1}{8}$ of the cistern in 1 hourB " " $\frac{1}{10}$ " " "C " " $\frac{1}{12}$ " " "D " empties $\frac{1}{15}$ " " "

(i.) Whence, when A, B and D are open together

 $\frac{1}{8} + \frac{1}{10} - \frac{1}{15}$ of the cistern is filled in 1 hour.i.e. $\frac{20}{240} - \frac{12}{240}$ " " " " " "or $\frac{8}{240}$ " " " " " " $\therefore$ The cistern will be filled in 30 hours.i.e. " " " " 30 " Ans.

(ii.) And when B, C, and D are open together

 $\frac{1}{10} + \frac{1}{12} - \frac{1}{15}$ of the cistern is filled in 1 hour.i.e. $\frac{12}{120} - \frac{5}{120}$ " " " "or $\frac{7}{120}$ " " " " $\therefore$ The cistern will be filled in $17\frac{1}{7}$ hoursi.e. " " " " $17\frac{1}{7}$ " Ans.

Q. 6.—Taking 1 metre = 39·37 inches, find the measurement in cubic metres of a pyramid 50 feet high standing on a square base each side of which is 10 feet.

A. 6.—

Volume of pyramid = $\frac{1}{3}$ of volume of completed cube.

$$= \frac{1}{3} \times 50 \times 10 \times 10$$

$$= \frac{5000}{3} \text{ cubic feet}$$

$$\therefore \text{Ans.} = \frac{5000}{3} \times \frac{1728}{(39\cdot37)^3}$$

$$= \frac{5000 \times 576}{(39\cdot37)^3} = \frac{2880000}{61023\cdot377953} \text{ cub. met.}$$

$$= 47\cdot195027$$

Q. 7.—The average profits of a business are £25,000 a year, and the proprietors determine to turn it into a company with a capital consisting of preference and ordinary shares. The preference shares bear a fixed interest of 5 per cent., and the issue consists of 1,000 shares of the nominal value of £100. Find what should be the total value of the capital of the company (allowing £3,000 a year to

be paid out of profits for management, and £5,000 a year to be set aside for reserve fund) in order that the ordinary shareholders may receive 8 per cent. on their investment.

A. 7. —

Share of profits to be distributed among the ordinary shareholders :—

$$\begin{aligned} &= 25000 - (5000 + 3000 + 5000) \text{ £} \\ &= 25000 - 13000 \quad \text{,,} \\ &= 12000 \quad \text{,,} \end{aligned}$$

which is to be 8% of the capital in ordinary shares.

∴ Total capital required

$$\begin{aligned} &= 100,000 + \frac{12000 \times 100}{8} \text{ £} \\ &= 100,000 + 150,000 \quad \text{,,} \\ &= \text{£}250,000 \text{ Ans.} \end{aligned}$$

Q. 8.—What is the net income from £10,350 sterling invested in $2\frac{3}{4}$ per cent. Consols at $91\frac{1}{2}$ after paying 1s. 2d. in the £ income tax?

How much stock does the money represent ?

A. 8.—

Net income required :—

$$\begin{aligned} &= \frac{10350 \times 2\frac{3}{4}}{91\frac{1}{2}} \times \frac{226}{240} \text{ £} \\ &= \frac{10350 \times 11 \times 226 \times 2}{183 \times 240 \times 4} \quad \text{,,} \\ &= \frac{115 \times 113 \times 11}{61 \times 4 \times 2} \quad \text{,,} \\ &= \frac{142945}{488} \quad \text{,,} \\ &= \text{£}292 \text{ 18s. } 4\frac{1}{8}\text{d. Ans.} \end{aligned}$$

$$\begin{aligned} \text{Stock} &= \frac{1035000}{91\frac{1}{2}} \text{ £} \\ &= \frac{2070000}{183} \quad \text{,,} \\ &= \frac{690000}{61} \quad \text{,,} \\ &= \text{£}1131 \text{ 2s. } 11\frac{1}{3}\text{d. Ans.} \end{aligned}$$

ENGLISH COMPOSITION.

Write an Essay on *one*, but not more than one, of the following subjects :—

- (1) The recent tour of the Heir-Apparent, and its Imperial significance.
- (2) The present state of the Boer War, and how to end it.
- (3) The Life and Character of Cardinal Wolsey or Oliver Cromwell.

ESSAY.

Life and Character of Cardinal Wolsey.

Thomas Wolsey, Cardinal, the celebrated Minister of Henry VIII., was born at Ipswich in 1471, being the son of a butcher. He was, however, educated at Oxford, and took his B.A. degree at the age of fourteen years. Being recommended as a tutor for his sons to the Marquis of Dorset, he was presented by him to the benefice of Lymington, October 1500. He became a Royal Chaplain, and pleased Henry VII. by his prompt assiduity, who made him Dean of Lincoln. At the accession of Henry VIII., 1509, he became King's Almoner and a member of the Privy Council. Preferments were showered upon the favourite, and having obtained a dispensation from the Pope, he received, in the shape of rectories, prebends, and deaneries, a greater amount of pluralities than any Englishman had ever before. In 1512 he was made Lord-Treasurer, and soon after Bishop of Tournay in France, and of Lincoln in England; subsequently he became Archbishop of York, Cardinal, Pope's legate, and Chancellor. In 1515 he was at the height of his power, and administered the affairs of England with great ability for fifteen years.

His aim was to be made Pope, and Charles V. of Germany promised him his support, which he twice failed to give.

In 1527 Henry conceived the idea of a divorce from his Queen, Catherine of Spain, the aunt of the Emperor. It was an uncanonical union for which the Pope had most discredibly given a dispensation, but the King's scruples were exaggerated by his passion for Anne Boleyn. The Pope, not wishing to offend either Henry or Charles, made a pretence of examining the question, and Wolsey lost the King's favour by not siding with him against the Pope. In 1529 he was dismissed as Minister and retired to Esher; he was prosecuted for having exercised the functions of papal legate, pleaded guilty, and was pardoned, and retired to the exercise of his archbishopric of York. He was arrested at his palace at Cawood again on the charge of treason, founded on his correspondence with the Pope and King of France, conveyed back to the south, and died at Leicester, November 26th 1530.

He was distinctly great, but far from being a good man. That his influence on Henry was on the whole good, may be seen by comparing Henry's reign before and after Wolsey's fall; but he was arrogant, haughty, revengeful, rapacious, and extravagant. He may be regarded as one of a trio of the greatest English Churchmen, Dunstan and Becket being the others. Before all, he was ambitious and primarily a statesman; a Churchman in the second place. He was not without a sense of religion, but it was not sufficiently strong to induce purity of life. He was a lover of learning, but no friend to the Reformation of religion which sprung from it. He had his plans for reform, but he was essentially a mediævalist; and if he had become Pope, which was a highly probable contingency, the Protestants would have had a bitter foe—which they had in Clement VII.—but also a very able one. The struggle between Henry VIII. and Wolsey as Pope would have been no ordinary episode. That he died repentant is pleasing, but his career is better fitted to excite our wonder than our respect.

GEOMETRY.

Q. 1.—How would you bisect a given straight line, using a pair of compasses and a ruler ?

A. 1.—From each end of the line draw two arcs of circles, having the same radius, with the compasses, one above and one below the line, so as to meet pair and pair in the points P and Q; join PQ with the ruler, and it will bisect the given straight line.

Q. 2.—Show that the exterior angle of a triangle is equal to the two interior and opposite angles.

An isosceles triangle has the angle at the base twice the magnitude of the angle at the vertex. What are the magnitudes of these angles ?

A. 2.—*Vide* Euclid, Book I., prop. 16.

$\therefore$ the exterior angle = the two interior opposite angles.

$\therefore$ the three interior angles of a triangle = two right angles.

The two angles at the base of the isosceles triangle equal each other and are therefore together = four times the vertical angle.

$\therefore$ the vertical angle = one-fifth of two right angles.

$\therefore$ the vertical angle = two-fifths of a right angle.

$$= 36^\circ$$

and each of the angles at the base = four-fifths of a right angle.

$$= 72^\circ$$

Q. 3.—Given any quadrilateral *ABCD*, construct a triangle equal to it in area.

A. 3.—By Euclid, Book I., prop. 45.

Construct a parallelogram *FKML*, equal in area to the quadrilateral *ABCD*.

Join KL

$\therefore$ triangle KLM = half the parallelogram.
= half ABCD

Produce KM to N, and make MN = KM. Join LN.

$\therefore$ triangle LKN = twice triangle KLM. (Euclid, Book I.,
prop. 38.)
= quadrilateral ABCD.

Q. 4.—A place *B* is $2\frac{1}{2}$ miles east of *A*, *C* is 2 miles north of *B*, *D* $\frac{1}{2}$ a mile east of *C*, and *E* 6 miles south of *D*. What is the distance from *A* to *E* in a straight line?

A. 4.—Draw line AB = $2\frac{1}{2}$ miles, from B draw BC perpendicular to it = 2 miles.

From C, draw CD parallel to AB = $\frac{1}{2}$ mile.

From D, draw DE parallel to CB, cutting AB produced in F.

Then BF = CD = $\frac{1}{2}$ mile. (Euclid, Book I., prop. 34.)

$\therefore$ AF = 3 miles,

and FE = DE - DF = DE - CB.
= 4 miles.

Join AE.

$$\begin{aligned} AE^2 &= AF^2 + FE^2 \\ &= 9 + 16 = 25 \end{aligned}$$

$\therefore$ AE = 5 miles.

Q. 5.—Show that, if a straight line be divided into any two parts, the squares on the whole line and on one of the parts are equal to twice the rectangle contained by the whole and that part together with the square on the other part.

What is the equivalent statement in algebraic symbols?

A. 5.—*Vide* Euclid, Book II., prop. 7.

Let A = whole line and B = right-hand part.

∴ by proposition

$$A^2 + B^2 = 2 AB + (A - B)^2,$$

$$\text{or } (A - B)^2 = A^2 - 2 AB + B^2.$$

Q. 6.—Show how to construct a square equal to a given rectangle.

A. 6.—*Vide* Euclid, Book II., prop. 14.

Taking a rectangle for the given rectangular figure, and producing one of its sides, till the produced part equals the other touching it.

Q. 7.—Describe, and prove, any construction for finding the centre of a given circle.

A. 7.—*Vide* Euclid, Book III., prop. 1.

Q. 8.—Show that (i.) the angle at the centre of a circle is double of the angle at the circumference on the same base ; (ii.) the angles in the same segment of a circle are equal to one another.

A. 8.—*Vide* Euclid, Book III., props. 20 and 21.

Q. 9.—Describe a circle to pass through a given point and touch a given straight line at a given point. Is there any case in which the solution is impossible.

A. 9.—Let A be the given point, BC the given straight line, and B the given point in it.

From B draw BD perpendicular to BC ; join BA.

At point A in straight line BA make angle BAE equal to angle ABD, and let AE cut BD in E.

Then EA = EB, ∴ angle EAB = angle EBA. (Euclid, Book I., prop. 6.)

With centre E and radius EA describe circle DAB, which touches BC since angle CBA is a right angle.

HISTORY AND GEOGRAPHY.

Q. 1.—Trace the origin and development of the English Parliament down to the fifteenth century.

A. 1.—Till the reign of Henry III. the National Council had but one chamber, consisting of nobles and prelates.

In 1254 Knights of the Shire were first summoned; in 1265 Simon de Montfort summoned representatives of the boroughs. In 1295 the House of Commons thus formed was summoned by Edward I. This was the first complete Parliament. The Commons at first did little more than register the enactments of the King and Lords, but by degrees they became possessed of the power of the purse, and so were able to control arrangements. Their Bills at first were called Petitions, but their power increased by degrees, and by the end of the reign of Edward III. the " Good Parliament " in 1376 established their right to enquire into public abuses and to impeach public councillors.

Henry IV., on account of his irregular title, was forced to act with his Parliament, and thus the power of the Commons increased. In the reign of Henry VI. they impeached the Duke of Suffolk, the then royal Minister (1450).

The Wars of the Roses curtailed the power of the nobility, and the King became more absolute; but the right of free speech in the House was established and immunity from arrest of the members, although they were both occasionally disregarded by the King.

Q. 2.—Enumerate the military and judicial reforms of Henry II.

A. 2.—Scutage, a money payment for personal service in war.

A national militia was established by the Assize of Arms.

In 1176 the Kingdom was divided into six circuits for the administration of law, and three Judges from the Curia Regis were appointed for each as Justices in Eyre.

Disputes about land, hitherto settled by combat, were allowed to be referred to the decision of a grand jury consisting of four knights chosen by the sheriff, and twelve freemen of the district, chosen by the knights. From this probably sprang our trial by jury.

Q. 3.—Assign important events to the years 1096, 1172, 1415, 1600, 1665, 1701, 1776, 1857.

A. 3.—

A.D.

1096 The First Crusade.

1172 Ireland annexed to England.

1415 Battle of Agincourt.

1600 A Charter granted to the East India Company for fifteen years.

1665 The Great Plague of London.

1701 The Act of Settlement, providing for the accession of a Protestant to the throne.

1776 The "Declaration of Independence" of the United States.

1857 The mutiny of the Sepoy army in India.

Q. 4.—Give a brief account of the English voyages of discovery during the Tudor period.

A. 4.—In 1497 Sebastian Cabot sailed from Bristol, and was the first to reach the mainland of America; he pushed along the coast southward to Florida and north to Hudson's Bay.

In 1553 Sir Hugh Willoughby tried to find a northern passage to India; he was frozen to death on the coast of Lapland. But Richard Chancellor, one of his captains, made his way to the White Sea, discovered Archangel, and created the trade with Russia.

In 1576 Martin Frobisher explored the coast of Labrador.

In 1584 Walter Raleigh settled Virginia.

In 1591 Captain Lancaster left Plymouth, followed the track of Vasco round the Cape, and reached Comoria the next year, thus opening English history in India.

Q. 5.—Write short notes on the following:—*Scutage*, *Benevolences*, *Chartism*, the *Grand Remonstrance*, the *Pilgrimage of Grace*, the *Eastern Question*, the *Cabal Ministry*, the *Declaration of Indulgence*.

A. 5.—*Scutage*.—A money payment accepted from his vassals by the King instead of personal military service.

Benevolences.—Forced loans, an illegal form of taxation adopted by Edward II., Edward III., Richard II., and made a system by Edward IV.

Chartism.—A revolutionary propaganda adopted in 1848 by certain self-seeking demagogues, who presented a huge petition to the House of Commons with many forged signatures.

The Grand Remonstrance.—An offensive detail of all the unconstitutional acts of Charles I., carried by Pym, against the moderates of the Long Parliament, by a majority of eleven, 22nd November 1641.

The Pilgrimage of Grace.—A revolt caused by the dissolution of the monasteries in the North of England, headed by Robert Ashe. It was put down 1536.

The Eastern Question.—What is to be done with the various parts of the Turkish Empire, especially the City of Constanti-

nople. It was raised by the Czar Nicholas I. of Russia, in 1852, and is still unsettled. It then brought on the Crimean War.

The Cabal Ministry.--One of the ministries of Charles II. consisting of Clifford, Arlington, Buckingham, Ashley, and Lauderdale; so called because the first letter of each of their names spelled the word.

The Declaration of Indulgence.--This suspended the operation of the penal laws against Romanist and Protestant Dissenters alike. Being published by James II. solely by his own authority, it was illegal. Every clergyman was ordered to read it during service on two successive Sundays in April 1688; but very few obeyed.

Q. 6.—What do you know of John Pym, Harold Hadrada, Roger Bacon, Sir Thomas More, The King-maker, John Ball, Richard Cobden, Hubert de Burgh, Cardinal Morton, Lord Russell, Charles Darwin?

A. 6.—John Pym was the leader of the Opposition in the Long Parliament, which met 1640. He was a Somersetshire man, entered Parliament in 1614, and died during the Civil War.

Harold Hadrada, King of Norway, one of the last of the Sea Kings, was the ally of Tosti, Harold's brother, in the invasion of England in 1066. He was killed at the battle of Stamford Bridge.

Roger Bacon was born 1214, at Ilchester, in Somerset, and died aged 78. He studied at Oxford and Paris. His success in physical research gained him the title of the "Admirable Doctor." He was the genius of his century, and at times suffered imprisonment on suspicion of his being unorthodox or a magician.

Sir Thomas More was, on the whole, the best man living in the reign of Henry VIII. He succeeded Wolsey as Chancellor.

When the breach with Rome came, he, being a conscientious Romanist, was executed for refusing to acknowledge the royal supremacy.

The King-maker was Richard Neville, Earl of Warwick—the last of the old-type of Baron. His support established Edward IV., and his defection afterwards replaced Henry VI. on the throne. He fell at the battle of Barnet 1471.

John Ball was a priest who became one of the leaders of the serfs in the insurrection of Wat Tyler, in 1381. He was executed at Coventry.

Richard Cobden and John Bright were two of the leaders in the Anti-Corn Law Agitation of 1840-46. They also disapproved of the Crimean War against Russia. Cobden was an eminent calico-printer and may be considered to have been the apostle of Free Trade.

Hubert de Burgh became regent for the young King Henry III., in 1219; he attempted to hold the Barons in check, and to prevent foreigners holding offices of importance in England. In 1232 he was imprisoned for having wasted public money. He afterwards recovered his earldom of Kent, but not his political influence.

Cardinal Morton was Lord Chancellor to Henry VII. and Archbishop of Canterbury; born 1410 at Bere, in Dorset; died in 1500. He served Henry VI., and remained Lancastrian during the Wars of the Roses. He was not popular, as he was identified with Henry VII.'s fiscal exactions.

Lord John Russell was born 1792, and entered Parliament in 1813. He was very prominent during the passing of the Reform Bill of 1832, and was twice Prime Minister of England—in 1846 and on the death of Lord Palmerston.

Charles Darwin, a great naturalist, wrote first an account of a voyage in 1832-36. Subsequently he published his "Origin of

Species," and then his "Descent of Man," in which he imagines man to have descended from a monkey.

Q. 7.—Write a short life of *two* of the following:—Warren Hastings, Lady Jane Grey, William III., George Washington.

A. 7.—Warren Hastings was born 1732 of an ancient family owning the Manor of Daylesford, Worcestershire, which had been ruined in the Civil War, and at eight years old was sent to Westminster School. He became a writer in the service of the East India Company in 1750; eleven years later he was named a member of the Council at Calcutta. In 1772 he was made the first Governor-General of India, in which position he was at first much hindered by his Council, one of whom, Philip Francis, was his persevering enemy. He ruled India wisely till 1785, when he returned to England. Then followed his impeachment by the Whig Opposition for high crimes and misdemeanours. In 1795 he was acquitted, but almost ruined by the expense of the action. He became the owner of Daylesford, and spent the remainder of his days in literary and country pursuits, and died in 1818.

Lady Jane Grey, born in 1537, was the daughter of the Duke of Suffolk, and grand-daughter of Mary Tudor, sister of Henry VIII. She was a highly-educated and virtuous woman. When only sixteen she was married to Guilford Dudley, son of the worthless Duke of Northumberland. King Edward VI. died within two months of the marriage, and Jane was proclaimed Queen of England, as being so named in his will. This was illegal, and Mary, Henry VIII.'s elder daughter, became Queen nine days after, Northumberland's own army refusing to fight for his cause. She was imprisoned in the Tower, and executed for her involuntary treason, to the disgrace of Mary, 12th February 1554, having been detained seven months in captivity.

William III., born 1650, was the son of William Prince of Orange, and Mary, daughter of Charles I.; thus he was nephew

and son-in-law of James II. He was successful in defending his country from the ambitious designs of Louis XIV. In 1688, having been invited by the English, he landed at Torbay with an army of 13,000 men, and ended the miserable reign of James II. He died 1702.

George Washington, descended from a Northamptonshire family, was born 1732 in Virginia. He married a widow named Custis (who brought him wealth) and commanded the militia of his State, which he conducted against the French; and when the Colonists revolted was named Commander-in-Chief of their army 1375. The war being ended in 1783, he became the first President of the United States in 1789. He died in 1799.

Q. 8.—Give some particulars of the Thirty Years' War, the Seven Years' War, the Treaty of Berlin, the Peace of Amiens, the Treaty of Chippenham, the Peace of Bretigny.

A. 8.—The Thirty Years' War, 1618-48, was contested in Germany, which it half depopulated. It was due to the attempt of the Emperor Ferdinand of Gratz, a bigoted Romanist, to root out Protestantism. It ended in leaving matters much as they were in respect of religious profession. Gustavus Adolphus, King of Sweden, was the greatest general on the Protestant side; he fell in battle.

The Seven Years' War was between Prussia and England on the one side, against Austria and France on the other. It lasted from 1756-63; Prussia preserved her independence, and England increased her Colonial Empire. William Pitt the elder was the English minister.

The Treaty of Berlin ended the war between Russia and Turkey 1877-8. The former gained part of Armenia and Bessarabia and the port of Batoum. Roumania and Servia became completely independent of Turkey. It was a great diplomatic success for Lord Beaconsfield.

The Peace of Amiens, 1802, was concluded between England, France, and the other European powers. The first surrendered all conquests except Ceylon and Trinidad. But Napoleon, then First Consul, was bent on further acquisitions, so war began again in 1803.

The Treaty of Chippenham, 878, was between Alfred the Great and Guthrum, the Danish King. By it the Danes were established in the east and centre of England, their western boundary being Watling Street. They became Christians, and subject to Alfred's suzerainty.

The Peace of Bretigny was between Edward III. of England and John of France. By it Edward gave up his claim to the throne of France, and received Calais, Poitou, Guienne, and Gascony in full sovereignty.

Q. 9.—When, by whom, and with what result, were fought the battles of the Standard, Shrewsbury, Evesham, La Hogue, Bannockburn, Towton, Inkerman, Wakefield, Malplaquet?

A. 9.—*The Standard*, 1138, between the English and Scotch.

Shrewsbury, 1403, between Henry IV. and Hotspur.

Evesham, 1265, between Prince Edward and Simon de Montfort.

La Hogue, a sea fight, 1692, between the English and French.

Bannockburn, 1314, between the Scots and English.

Towton, 1461, between the Yorkists and Lancastrians.

Inkerman, 1854, between the English, assisted by the French, and Russians.

Wakefield, 1460, between the Lancastrians and Yorkists.

Malplaquet, 1709, between the English and French.

In all cases the name of the victors stands first.

Q. 10.—Compare the English and the French Revolutions, and mention the important results of each.

A. 10.—The English Revolution was to prevent the illegal actions of the King; the French, the misgovernment of the entire peasantry by the nobles.

The former was supported by the greater part of the nobility and gentry; the latter was managed by doctrinaires and unscrupulous demagogues.

The English Commonality were free; the French still serfs, ground down by taxation.

The former was conducted with the least possible disturbance of traditional arrangements; the latter with an absolute thirst for change.

The former was bloodless; the latter stained with crimes of the grossest character.

As to results, the English obtained a freedom unknown previously—genuine, but free from license; the French resulted in a military despotism followed by constant change. Liberty has come from the first; a rage for equality from the second.

Q. 11.—Draw a Map of Ireland, inserting the principal mountains and rivers.

A. 11.—In the north, Antrim Mountains; proceeding west, the Donegal Mountains, with Errigal 2,500 feet high. In the west, Nephin Beg, Connemara, and Macgillicuddy's Reeks, with Curran Tual 3,400 feet high. In the south, Galtee and Knockmeledown Mountains; east, Wicklow and Mourne Mountains. The Slieve Bloom is the chief of the ranges of the central plain.

The chief rivers are: In the west, the Shannon, 224 miles long, which flows through the Lakes Allen, Ree, and Derg.

South: Bandon, Lee, Blackwater, Barrow, Suir, and Nore.

East: Slaney, Liffey, Boyne, and Lagan.

North: Bann and Foyle.

Q. 12.—Mention the chief industries connected with the towns on the Midland main line from London to Glasgow.

A. 12.—Luton—*Straw bonnets.*

Northampton—*Leather.*

Kettering—*Boots and shoes.*

Leicester—*Woollen hosiery.*

Nottingham—*Cotton hosiery.*

Derby—*Porcelain.*

Sheffield—*Cutlery.*

Barnsley—*Coals.*

Bradford—*Woollen cloth.*

Hawick—*Woollen goods.*

Galashiels—*Woollen goods.*

Hamilton—*Iron works.*

Paisley—*Shawls.*

Q. 13.—What and where are Truro, Stornoway, St. Helen's, Ruabon, Wisbech, Clwyd, Newry, King's Lynn, Neath, Thurso, Kilmarnock, the Ouse?

A. 13.—Truro, town in Cornwall.

Stornoway, town in Lewis, one of the Hebrides.

St. Helen's, town in Lancashire.

Ruabon, town in Denbigh.

Wisbech, town in Cambridgeshire.

Clwyd, river in North Wales in the counties of Denbigh and Flint.

Newry, town in County Down, Ireland.

King's Lynn, town in Norfolk.

Neath, town in Glamorgan.

Thurso, town in Caithness, Scotland.

Kilmarnock, town in Ayrshire, Scotland.

The Ouse, name of four rivers in England. Great Ouse rises near Brackley, and flows through Cambridgeshire to the Wash.

Q. 14.—Enumerate the mountains of Australia and the ports of New Zealand, indicating the position of each.

A. 14.—Mountains in Australia: Blue Mountains and Liverpool Range in New South Wales.

Australian Alps in Victoria.

Flinders, Gawler, and Stuart Ranges in South Australia.

Darling Mountains in West Australia.

Ports in New Zealand.—In North Island: Auckland, New Plymouth, Wellington.

In the South Island: Nelson, Hokitika, Invercargill, Dunedin, Lyttleton.

Q. 15.—What and where are Invercargill, Kalgoorlie, Sandhurst, Geelong, Eden, Murray, Wagga Wagga, Glenelg, Carpentaria, Kosciusko, Fitzroy, Fremantle?

A. 15.—Invercargill, town in Otago, South Island, New Zealand, on the Foveaux Strait.

Kalgoorlie, town for gold mining, West Australia, near Perth.

Sandhurst, town, great quartz crushing centre of Victoria.

Geelong, town on Port Philip Bay, south coast of Victoria, Australia.

Eden, county in New Zealand, North Island.

Murray, river, north boundary of Victoria, Australia, rises in Mount Kosciusko, 7,300 feet, the highest peak in Australia.

Wagga Wagga, town on the Murrumbidgee, a river in New South Wales.

Glenelg, river in Victoria, Australia, enters Southern Ocean near Portland; on it is a town of the same name.

Carpentaria, a large gulf north of Australia.

Kosciusko, mountain near east coast of Australia.

Fitzroy, river in Queensland, enters the Pacific near Rockhampton.

Fremantle, town in Western Australia on the coast south of Perth.

LATIN GRAMMAR.

Q. 1.—Decline—*sagax senex* ; *sapientior filius* ; *tristis mulier*.

A. 1.—	Sing.	Plu.
Nom. and Voc.	Saga-x sen-ex	Saga-ces sen-es
Acc.	„ -cem „ -em	„ -ces „ -es
Gen.	„ -cis „ -is	„ -cium „ -um
Dat.	„ -ci „ -i	} „ -cibus „ -ibus
Abl.	„ -ce „ -e	
Nom.	Sapientior fili-us	Sapientior-es fili-i
Voc.	„ fili	„ „
Acc.	„ -em „ -um	„ „ -os
Gen.	„ -is „ -i	„ -um „ -orum
Dat.	„ -i „ -o	} „ -ibus „ -is
Abl.	„ -e „ -o	
Nom. and Voc.	Trist-is mulier	Trist-es mulier-es
Acc.	„ -em „ -em	„ „
Gen.	„ -is „ -is	„ -ium „ -um
Dat.	„ -i „ -i	} „ -ibus „ -ibus
Abl.	„ -i „ -e	

Q. 2.—Write out the genitive singular, dative plural, gender, and meaning of *jecur*, *filia*, *quercus*, *obses*, *Apollo*, *fides*, *nemo*, *incus*, *spes*, *tellus*.

A. 2.—

Gen. Sing.	Dat. Plu.	Gender.	Meaning.
Jecinoris	Jecinoribus	N.	Liver
Filiae	Filiabus	F.	Daughter
Quercus	Quercubus	F.	Oak

A. 2.—(continued).

<i>Gen. Sing.</i>	<i>Dat. Plu.</i>	<i>Gender.</i>	<i>Meaning.</i>
Obsidis	Obsidibus	C.	Hostage
Apollinis	—	M.	Apollo
Fidei	—	F.	Faith
Nemini	—	C.	Nobody
Incudis	Incudibus	F.	Anvil
Spei	—	F.	Hope
Telluris	Telluribus	F.	Earth

Q. 3.—Compare *innocens, pius, prope, felix, viridis, bene, fallax, magnopere*.

A. 3.—

<i>Comp.</i>	<i>Super.</i>
Innocent-ior	Innocent-issimus
Magis pius	Maxime pius
Propior	Proximus
Felic-ior	Felic-issimus
Virid-ior	Virid-issimus
Melius	Optime
Fallac-ior	Fallac-issimus
Magis	Maxime

Q. 4.—Parse the words—*conjecta, paruerit, ferret, foret, nolit, casurae, orti, remenso, imponi, petiere, creta, gavise, vultis, vincere*.

A. 4.—*Conjecta*—Nom. sing., fem., perf. part. pass., from verb *Conjicio*, -jicere, -jeci, -jectum.

Paruerit—3rd sing., perf. ind. act., from verb *Par*-eo, -ēre, -ui -itum.

Ferret—3rd sing., imp. subj., from verb *Fero*, ferre, tuli, latum.

Foret—3rd sing., imp. subj., from verb *Sum*, esse, fui.

Nolit—3rd sing., pres. subj., from verb *Nolo*, nolle, nolui.

Casurae—Gen. sing., fem., fut. part. act., from verb *Cad*-o, -ēre, cecidi, casum.

A. 4.—(continued).

Orti—Nom. plu., masc., perf. part., from deponent verb *Or-ior*, -*iri*, *ortus* sum.

Remenso—Dat. sing., masc., perf. part., from deponent verb *Reme-tior*, *tiri*, *remensus* sum.

Imponi—Pres. inf. pass., from verb *Impo-no*, -*nēre*, -*sui*, -*situm*.

Petiēre—3rd plu., perf. ind. act., from verb *Pet-o*, -*ēre*, -*ii*, -*itum*.

Creta—Nom., fem., sing., perf. part. pass., from verb *Cern-o*, -*ēre*, *cre-vi*, -*tum*.

Gavise—Voc., masc., sing., perf. part., from semi-deponent verb *Gaud-eo*, -*ēre*, *gavissus* sum.

Vultis—2nd plu., pres. ind., from verb *Volo*, *velle*, *volui*.

Vinciēre—2nd sing., fut., simple ind. act., from verb *Vinc-io*, -*ire*, *vin-xi*, -*ctum*.

Q. 5.—Give the principal parts of *tono*, *vinco*, *soleo*, *morior*, *infero*, *pario*, *quacro*, *adipiscor*, *mordeo*, *veho*.

A. 5.—

<i>Pres. Ind.</i>	<i>Pres. Inf.</i>	<i>Perf. Ind.</i>	<i>Sup.</i>
Ton-o	-are	-ui	-itum
Vi-ncō	-ncēre	-ci	-ctum
Sol-eo	-ēre	-itus sum	
Mor-ior	-i	-tuus sum	
In-fero	-ferre	-tuli	illatum
Par-io	-ēre	peperi	partum
Quae-ro	-rēre	-sivi	-situm
Ad-ipiscor	-ipisci	-eptus sum	
Mord-eo	-ēre	momordi	morsum
Ve-ho	-here	-xi	-ctum

Q. 6.—What are the constructions of *deceat*, *prae*, *interest*, *pro*, *memini*, *spero*, *quisque*, *singuli*, *penes*?

A. 6.—*Decet*, verb, used personally and impersonally, governing accusative.

Præ, preposition, governs ablative.

Pro, do. do.

Interest takes the genitive of the person, or the ablative feminine singular of the possessive instead of the genitive of the personal pronoun, with *ut* and the subjunctive, or accusative and infinitive.

Memini governs genitive or accusative case.

Spero is used without an object, or used actively governing the accusative.

Quisque, indefinite pronoun, meaning each or everyone, is also used with the superlative to denote universality or generality.

Singuli, meaning one each, the first of the distributive numerals.

Penes, preposition, governing accusative.

Q. 7.—Compose Latin sentences illustrating the use of Genitive of Price, Greek Accusative, Ethic Dative, Dative of Disadvantage, Ablative of Time.

A. 7.—*Genitive of Price*—*Voluptatem virtus minimi facit.*

Greek Accusative.—Same as accusative of respect. *Membra sub arbuto stratus est.*

Ethic Dative—So called because it expresses a lively feeling. *Quid mihi celsus agit.*

Dative of Disadvantage—*Est pauper amicis.*

Ablative of Time (when)—*Hieme omnia bella conquiescunt.*

Q. 8.—Mention, with examples, the chief uses of the Subjunctive Mood in Latin.

A. 8.—The Subjunctive Mood is used when a proposition is stated, not as a matter of fact, but as possible, desirable, or contingent, depending usually upon another verb expressed or understood. It has been called a Thought-mood.

It denotes not so much an actual as a contemplated event. As :—

Olim quæstio erat, num terra rotunda *esset*.

Cogita tecum, au gratiam *retuleris*, quibus gratiam debes.

Per Trebonium stetit, quominus oppido *potirentur*.

It is used to soften a statement, as Nemo istud tibi *concedat* :

To imply a doubt, as Quis *credat* :

To express a wish, as *Emas* quod necesse est :

A purpose, as Edimus ut vivamus :

Or an indirect question, as Rogabo quid factum sit.

Q. 9.—In how many different ways may the want of a perfect participle active be supplied?

A. 9.—By the use of the perfect participle passive and the ablative absolute, as Having said this = Hoc dicto.

Also by *quum* or *qui* with the pluperfect subjunctive, as Quum hoc dixisset, or Qui hoc dixisset.

Q. 10.—Change the following into *oratio obliqua*:—"Quæ sunt igitur meae partes? Auctoritatis tantæ, quantam vos in me esse voluistis, usus mediocris, ingenii minime voluntati par. Nam ceteris, a quibus est defensio hunc debere plurimum video. Ego, quantum ei debeam, alio loco ostendam."—CICERO, "Pro Balbo."

A. 10.—Rogavit quæ essent igitur suæ partes. Auctoritatis tantæ quantam illi in se ipso esse voluissent, usum medicrem ingenii minime voluntati par partes suas esse affirmavit. Nam ceteris, a quibus esset defensio hunc debere plurimum se videre. Quantum ei debeat, se alio loco ostenturum esse.

Q. 11.—Translate into Latin:—

- (a) Will they not stay with us the whole of November?
- (b) He told them that his mother, who had gone to the country, would return in two days.
- (c) Can any one doubt that you, who have fought so bravely, will receive a reward?
- (d) Though our opinions differ, our friendship is likely to remain the same as ever.
- (e) Ought we not to regret that the bravest men are not always the wisest?

A. 11.—(a) Nonne nobiscum totum Novembrem commorabitur?

- (b) Dixit illis matrem suam qua rus iisset, biduo redituram esse.
- (c) Num potest dubitari te, qui sic fortiter pugnavisti, præmium recepturum?
- (d) Quamquam sententiæ diversæ sunt, amicitia nobis semper iladem relictura est.
- (e) Nonne nobis dolendum est fortissimos non semper sapientissimos esse.



INTERMEDIATE EXAMINATION, DEC. 1901.

BOOKKEEPING AND ACCOUNTS

(INCLUDING PARTNERSHIP ACCOUNTS).

Q. 1.—Give an example of—

(a) A Trial Balance.

(b) A Balance Sheet.

A. 1.—The following are examples of a Trial Balance and a Balance Sheet respectively, the latter being compiled from the former, so that the difference between the two may be readily apparent:—

A., B. & Co..

TRIAL BALANCE, December 31 1900.

			£	s	d	£	s	d
A. Capital Account	..	..	..			1,210	0	0
B. Capital Account	..	..	..			1,210	0	0
Sundry Debtors as per Schedules	..	..	4,000	0	0			
„ Creditors as per Schedules	..	..				1,000	0	0
Discounts	..	..	..	50	0	30	0	0
Cash	..	..	..	500	0			
Office Furniture	..	..	..	100	0			
Plant and Machinery	..	..	..	300	0			
Sales	..	..	..			5,000	0	0
Purchases	..	..	..	3,000	0			
Stock on Hand, January 1 1900	..	..	..	500	0			
						£8,450	0	0
						£8,450	0	0

Q. 2.—What are the principal books usually kept by a Limited Company.

A. 2.—Every company registered under the Companies Acts is required to keep the following books :—

Register of Members.

Register of Mortgages and Charges.

Annual List of Members and Summary.

Minute Book.

Register of Directors and Managers.

In addition to the above it is usual to keep the following :—

Share Ledger (may include Register of Members).

Debenture Ledger (may include Register of Mortgages and Charges).

Transfer Register.

The books of account will necessarily vary according to the nature of the business, and are the same as those that would be kept by a firm carrying on a business of a similar character.

Q. 3 —A. buys goods from B. to the amount of £100. B. allows 5 per cent. discount and draws upon A. at three months, and discounts the Bill with his Bankers at 5 per cent. When due, the Bill is returned dishonoured. Afterwards A. pays £50 in Cash and accepts a Bill at three months for the balance. Show the entries to be made in the books of both A. and B.

A. 3.—

<i>Dr.</i>				A.'s BOOKS—B ACCOUNT.				<i>Cr.</i>					
				£	s	d		£	s	d			
To	Bills Payable	..	..	95	0	0	By Goods	..	..	100	0	0	
„	Discount	..	..	5	0	0	„ Bill Dishonoured	..	..	95	0	0	
„	Cash	..	..	50	0	0	„ Discount Re-Credited	..	..	5	0	0	
„	Bills Payable	..	..	50	1	6	„ Noting Charges	..	..	0	1	6	
				£200	1	6					£200	1	6

A. 3.—(continued).

Dr.				PURCHASES ACCOUNT.				Cr.			
To B.				£	s	d					
				100	0	0					
Dr.				BILLS PAYABLE ACCOUNT.				Cr.			
To B.				£	s	d		By B.			
				95	0	0					
								£			
								95			
								50			
								1			
								6			
Dr.				DISCOUNT ACCOUNT.				Cr.			
To B.				£	s	d		By B.			
				5	0	0					
								£			
								5			
								0			
Dr.				GENERAL EXPENSES.				Cr.			
To B., Noting Bill				£	s	d					
				0	1	6					
Dr.				CASH.				CONTRA.			
								By B.			
								£			
								50			
								0			
								0			
Dr.				B.'s BOOKS—A ACCOUNT.				Cr.			
To Goods				£	s	d		By Bills Receivable ..			
				100	0	0					
„ Bill Dishonoured ..				95	0	0		„ Discount			
„ Discount Re-Credited ..				5	0	0		„ Cash			
„ Noting Charges.. ..				0	1	6		„ Bills Receivable ..			
				£200	1	6					
								£200			
								1			
								6			
Dr.				SALES ACCOUNT.				Cr.			
								By A.			
								£			
								100			
								0			
								0			

A. 3.—(continued).

Dr.				BILLS RECEIVABLE ACCOUNT.				Cr.					
				£	s	d					£	s	d
To A.	..	..	..	95	0	0	By Cash and Discount	..	..	..	95	0	0
" "	..	..	..	50	1	6							

Dr.				DISCOUNT ACCOUNT.				Cr.					
				£	s	d					£	s	d
To A. ..	..	..	..	5	0	0	By A. ..	..	..	..	5	0	0
" Cash	..	..	..	1	1	3							

Dr.		CASH.						CONTRA.						Cr.		
		£	s	d	£	s	d							£	s	d
To Bills Receivable		1	1	3	93	18	9									
„ A.					50	0	0	By A. (Dishonoured Bill and Noting)						95	1	6

Q. 4.—A Shopkeeper, after trading two years, asks you to make up his Profit and Loss Account for the period. He has kept a rough Day Book for credit business and a file of invoices of purchases, and scraps of paper purporting to show his cash transactions both in respect of Sales and Purchases, but many of which are evidently missing. From these data and from what your client tells you, you find that he has sold on credit £3,500, and for cash £1,250, while his purchases have amounted to £4,200, and his disbursements have been—assistant 15s. and boy 10s. a week; keep of himself and assistants, £2 a week; Rent, Taxes, and Insurance, £70; Coal, Gas, and Water, £20; Carriage of Goods, £10; and Repairs and Sundries, £10—a year.

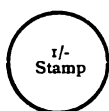
Prepare the Account assuming that his Stock amounted to £600, and his withdrawals to £300.

A. 4.—

TRADING ACCOUNT for the two years ended 31st December 1900.					
Dr.		£	s	d	Cr.
To Purchases .. .. .	.. .. .	4,200	0	0	By Sales
" Balance, being Gross Profit, carried	.. .. .				" Stock on hand at date
to Profit and Loss Account .. ..	.. .. .	1,150	0	0	
		£5,350	0	0	
					£5,350 0 0
PROFIT AND LOSS ACCOUNT for the two years ended 31st December 1900.					
Dr.		£	s	d	Cr.
To Wages and Salaries .. .. .	.. .. .	130	0	0	By Gross Profit from Trading Account ..
" Keep of Self and Assistants .. ..	.. .. .	208	0	0	
" Rent, Taxes, and Insurance .. ..	.. .. .	140	0	0	
" Coal, Gas, and Water .. ..	.. .. .	40	0	0	
" Carriage .. .. .	.. .. .	20	0	0	
" Repairs and Sundries .. ..	.. .. .	20	0	0	
" Balance, being Net Profit for the two	.. .. .	592	0	0	
years, carried to Capital Account ..	.. .. .	£1,150	0	0	
					£1,150 0 0

Q. 5.—Give an Example of a Bill of Exchange and of a Promissory Note, affixing the proper stamp to each.

A. 5.—



£100 0 0

London, 1st Jan. 1900.

Three months after date
the sum of one hundred pounds

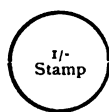
Accepted,

*payable at Lloyd's
Bank, Lim.,
Birmingham.*

pay to us *B. & Son.* or our order
value *B. &* received.

To B. & SON,
Birmingham.

A. & Co.



£100 0 0

Birmingham, 1st Jan. 1900.

Three months after date we promise to pay to A. &
Co. or order the sum of one hundred pounds, value received.

B. & SON.

Payable at

LLOYD'S BANK, LIM.,
Birmingham.

Q. 6.—What is the difference between Single and Double-entry ; and in what, in your opinion, has the one an advantage over the other.

Prepare by single-entry Rich & Strong's Profit and Loss Account, Capital Account, and the Balance Sheet at December 31st 1900, from the following figures in the books, allowing 5 per cent. interest upon capital, and depreciating Fixtures at the rate of 5 per cent. ;

and apportion the profit or loss to Messrs. Rich & Strong in the proportions of 3-5ths and 2-5ths respectively :—

Sundry Debtors	..	..	..	£2,000	0	0
John Rich, Capital at January 1st..	..	..	..	3,000	0	0
Do. Drawings	..	..	..	400	0	0
Richard Strong, Capital at January 1st	..	..	..	2,000	0	0
Do. Drawings	..	..	..	300	0	0
Stock-in-Trade	..	..	..	5,000	0	0
Sundry Creditors	..	..	..	2,600	0	0
Cash in Hand	..	..	..	100	0	0
Consignments	..	..	..	3,400	0	0
(Estimated to realise £2,700)						
Owing to Bankers	..	..	..	2,200	0	0
Warehouse Fixtures	..	..	..	300	0	0

A. 6.—In Single-entry the only record kept is one of the transactions with the various persons with whom one has business relations, and a record of the cash received and paid. Single-entry thus only provides Ledger Accounts for debtors and creditors, and the other material necessary to prepare a Statement of Assets and Liabilities has usually to be obtained from sources outside the books.

With Double-entry, on the other hand, every transaction is recorded, and such transactions being invariably of a twofold nature, involving the receiving of a benefit upon the one side and the imparting of a benefit on the other, both aspects of each transaction are recorded upon opposite sides of the Ledger. It thus follows that at any time the total entries to the debit of the Ledger should be equal to the total entries on the credit side, and an important check is thus obtained upon the accuracy of the Ledger postings.

Moreover, inasmuch as the record is complete, it also affords the means of preparing a proper Profit and Loss Account, focussing the various items of income and expenditure, the

balance of such account being profit or loss, as the case may be. This, again, forms a check upon the books, seeing that the difference between the present capital and the capital at the commencement of the period (after allowing for capital introduced and withdrawn) is, of course, the profit or loss for the period, and should agree with the balance of the Profit and Loss Account.

The following example shows how the profit is arrived at by Single-entry. There is, however, no automatic check upon the accuracy of the working :—

STATEMENT OF LIABILITIES AND ASSETS, 31st December 1900.

STATEMENT OF PROFIT for the Year ended 31st December 1900.

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A. 6.—(continued).

JOHN RICH—CAPITAL ACCOUNT.									
<i>Dr.</i>					<i>Cr.</i>				
1900 Dec. 31	To Drawings	1900 Jan. 1	£ s d	By Balance	1900 Dec. 31	£ s d	1901 Jan. 1	By Balance	1901 Jan. 1
	" Balance down		400 0 0	" Interest		3,000 0 0		" Share of Profits	
			3,191 0 0			150 0 0			
			<u>£3,591 0 0</u>			441 0 0			
						<u>£3,591 0 0</u>			
						<u>£3,191 0 0</u>			
RICHARD STRONG—CAPITAL ACCOUNT.									
<i>Dr.</i>					<i>Cr.</i>				
1900 Dec. 31	To Drawings	1900 Jan. 1	£ s d	By Balance	1900 Dec. 31	£ s d	1901 Jan. 1	By Balance	1901 Jan. 1
	" Balance down		300 0 0	" Interest		2,000 0 0		" Share of Profits	
			2,094 0 0			100 0 0			
			<u>£2,394 0 0</u>			294 0 0			
						<u>£2,394 0 0</u>			
						<u>£2,094 0 0</u>			

Q. 7.—A. and B., who had for some years been in partnership together, having Capital of £4,000 and £3,000, and sharing Profits and Losses in the proportion of 4-7ths and 3-7ths respectively, gave up business. At the time the following were their Assets according to the books : —

Buildings	£5,000	0	0
Fixtures, &c.	1,000	0	0
Stock	1,500	0	0
Book Debts	1,500	0	0
Cash in Bank	500	0	0

of which the first four items only realised £4,000, £700, £800, and £1,200 respectively, and they had Liabilities amounting to £2,500.

Show how the Partners' Capitals were affected.

A. 7.—

Dr.	CASH.	CONTRA.	Cr.
To Balance	£ 500	By Creditors	£ 2,500
„ Realisation Account	6,700	„ A.	2,685
		„ B.	2,014
	<u>£7,200</u>		<u>£7,200</u>

Dr.	REALISATION ACCOUNT.				Cr.			
	£	s	d		£	s	d	
To Buildings	5,000	0	0	By Cash	6,700	0	0	
„ Fixtures	1,000	0	0	„ Loss on				
„ Stock	1,500	0	0	realisation,				
„ Book Debts	1,500	0	0	viz. :—				
				A. ..	1,314	5	8	
				B. ..	985	14	4	
						2,300	0	0
	£9,000	0	0			£9,000	0	0

Dr.	SUNDRY CREDITORS.										Cr.
To Cash	£	s	d	By Balance				£	s	d	
2,500	0	0	2,500				0	0			

A. 7.—(continued).

Dr.		CAPITAL ACCOUNT—A.			Cr.	
To Realisation Account		£	s	d	By Balance	£ s d
„ Cash		1,314	5	8	4,000	0 0
		2,685	14	4		
		<u>£4,000 0 0</u>				<u>£4,000 0 0</u>

Dr.		CAPITAL ACCOUNT—B.			Cr.	
To Realisation		£	s	d	By Balance	£ s d
„ Cash		985	14	4	3000	0 0
		2,014	5	8		
		<u>£3,000 0 0</u>				<u>£3,000 0 0</u>

Q. 8.—An Insurance Company, having a paid-up Capital of £80,000 in 80,000 fully paid £1 Shares, and a Reserve of equal amount, invested in Securities to the amount of £150,000, and outstanding Balances and Cash £10,000, is absorbed by another Company; the consideration being £65,000 in Cash, and the allotment of one Share of £25 (£2 10s. paid, and standing in the Market at £19 per Share in the Purchasing Company) for every 16 Shares of their own Company.

Close the books of the Vendor Company, and show how the transactions will appear in those of the Purchasing Company.

A. 8.—

BOOKS OF OLD COMPANY.

Dr.		REALISATION ACCOUNT.			Cr.	
To Sundry Securities		£	s	d	By Cash	£ s d
„ Cash		150,000	0	0	65,000	0 0
		10,000	0	0	„ Shares in new Company ..	95,000 0 0
		<u>£160,000 0 0</u>				<u>£160,000 0 0</u>

A. 8.—(continued).

Dr.		DISTRIBUTION ACCOUNT.		Cr.	
To Cash, being 16/3 per share	£ 65,000	s 0	d 0	By Capital Account	£ 80,000
„ Shares in new Company being one share of £25 (£2 10s.) for each 16 old shares	95,000	0	0	„ Reserve	80,000
	£ 160,000	0	0		£ 160,000
Dr.		CAPITAL ACCOUNT.		Cr.	
To Distribution Account	£ 80,000	s 0	d 0	By Balance (80,000 shares of £1 each)	£ 80,000
Dr.		RESERVE ACCOUNT.		Cr.	
To Distribution Account	£ 80,000	s 0	d 0		£ 80,000
Dr.		SUNDRY SECURITIES.		Cr.	
To Balance	£ 150,000	s 0	d 0	By Realisation A/c	£ 150,000
Dr.		SHARES IN NEW COMPANY.		Cr.	
To Realisation A/c	£ 95,000	s 0	d 0	By Distribution A/c	£ 95,000
Dr.		CASH		CONTRA.	
To Balance	£ 10,000	s 0	d 0	By Realisation A/c	£ 10,000
„ Realisation A/c	65,000	0	0	„ Distribution A/c	65,000
	£ 75,000	0	0		£ 75,000

A. 8.—(continued).

BOOKS OF NEW COMPANY

Dr.			SUNDRY SECURITIES.			Cr.		
To Old Company ..			£	s	d			
			150,000	0	0			
Dr.			OLD COMPANY.			Cr.		
To Cash			£	s	d	By Sundry Securities		
			65,000	0	0	150,000		
,, Share Capital A/c			12,500	0	0	,, Cash		
,, Premiums on Shares			82,500	0	6	10,000		
			£160,000	0	0			
Dr.			SHARE CAPITAL ACCOUNT			Cr.		
						£	s	d
						By Old Company (5,000		
						shares of £25 each,		
						credited with £2 ios.		
						per share paid-up)		
						12,500		
Dr.			PREMIUMS ON SHARES.			Cr.		
						£	s	d
						By Old Company ..		
						82,500		
Dr.			CONTRA.			CASH.		
To Old Company ..			£	s	d	By Old Company ..		
			10,000	0	0	65,000		

Q. 9.—John Jones and Stephen Simpson commenced business as Merchants on January 1st 1899, with Capital of £6,000 and £4,000 respectively. After a year's trading they took Stock and made up their Accounts.

The following were their Ledger Balances :—

Goods Bought	..	..	..	£50,000	0	0
Goods Sold	..	..	..	52,500	0	0
John Jones, Capital January 1st	..	..	..	6,000	0	0
Do. Drawings	..	..	..	300	0	0
Stephen Simpson, Capital January 1st	..	..	..	4,000	0	0
Do. Drawings	..	..	..	200	0	0
Creditors	..	..	..	4,000	0	0
Returns and Allowances off Sales..	..	..	..	350	0	0
Discounts off Sales	..	..	..	1,125	0	0
Book Debts	..	..	..	6,500	0	0
Bills Receivable	..	..	..	1,000	0	0
Discounts off Purchases	..	..	..	1,150	0	0
Rents, Rates, Taxes, and Insurance	..	..	..	700	0	0
Miscellaneous Expenses	..	..	..	350	0	0
Furniture and Fixtures	..	..	..	1,000	0	0
Cash in Bank	..	..	..	2,825	0	0
Salaries and Wages	..	:	..	2,000	0	0
Travelling Expenses	..	..	..	600	0	0
Carriage	..	..	..	500	0	0
Coal, Gas, and Water..	..	..	..	150	0	0
Bank Commission	..	..	..	50	0	0

The Stock amounted to £4,500.

Prepare Trading and Profit and Loss Accounts, writing off 5 per cent. from Furniture and Fixtures, allowing $2\frac{1}{2}$ per cent. off Debtors and Creditors, and £500 for possible over-estimate of Stock. Treat Partners' Drawings as Salaries, and allow 5 per cent. interest upon Capital.

Divide the Profit or Loss between the Partners in the proportions 2-3rds and 1-3rd respectively, and draw up the Balance Sheet.

A. 9.—

TRADING ACCOUNT for the year ending 31st December 1899.										Cr.	
Dr.		£		s		d		£		s	
To Purchases		£		s		d		By Sales		£	
" Balance, being gross profit carried to Profit and Loss Account ..		50,000 0 0		0 0		0 0		" Less Returns and Allowances ..		350 0 0	
		6,150 0 0		0 0		0 0		" Stock on hand		..	
		£56,150 0 0		0 0		0 0				£56,150 0 0	
PROFIT AND LOSS ACCOUNT for the year ended 31st December 1899.											
Dr.		£		s		d		£		s	
To Salaries and Wages		2,500 0 0		0 0		0 0		By Balance from Trading Account ..		6,150 0 0	
" Rents, Rates, Taxes, and Insurance ..		700 0 0		0 0		0 0		" Discounts		1,250 0 0	
" Travelling Expenses		600 0 0		0 0		0 0					
" Carriage		500 0 0		0 0		0 0					
" Miscellaneous Expenses		350 0 0		0 0		0 0					
" Coal, Gas, and Water		150 0 0		0 0		0 0					
" Bank Commission		50 0 0		0 0		0 0					
" Depreciation of Furniture		50 0 0		0 0		0 0					
" Discounts		1,287 10 0		0 0		0 0					
" Interest on Capital		500 0 0		0 0		0 0		6,687 10 0			
" Balance being net Profit divisible thus:—		475 0 0		0 0		0 0					
" John Jones 2/3rds Share		237 10 0		0 0		0 0		712 10 0			
" Stephen Simpson 1/3rd Share								£7,400 0 0		£7,400 0 0	

A. 9.—(continued).

JOHN JONES AND STEPHEN SIMPSON—BALANCE SHEET, 31st December 1899.

<i>Liabilities.</i>		£ s d		<i>Assets.</i>		£ s d		£ s d	
John Jones, Capital:—				Furniture and Fixtures		.. ..		1,000 0 0	
Balance January 1st 1899		6,000 0 0		Less Depreciation ..		.. ..		50 0 0	
Add Interest on Capital		300 0 0		Stock on Hand ..		.. ..		4,500 0 0	
" Share of Profit ..		475 0 0		Less Reserve		.. ..		500 0 0	
Stephen Simpson, Capital:—				Sundry Debtors		.. ..		6,500 0 0	
Balance January 1st 1899		4,000 0 0		Less Reserve for Discounts		.. ..		162 10 0	
Add Interest on Capital		200 0 0		Bills Receivable..		.. ..		6,337 10 0	
" Share of Profit ..		237 10 0		Cash in Bank ..		.. ..		1,000 0 0	
Sundry Creditors		4,000 0 0						2,825 0 0	
Less Reserve for Discounts		100 0 0							

A. 10.—(continued).

TRIAL BALANCE (at close).

	£	s	d	£	s	d
Cash	2,950	0	0			
Shares in Purchasing Company	60,000	0	0			
Debentures in ditto	40,000	0	0			
Investments	400	0	0			
Loans	..			3,350	0	0
Partners' Capital.. .. .	..			100,000	0	0
	<u>£103,350</u>	<u>0</u>	<u>0</u>	<u>£103,350</u>	<u>0</u>	<u>0</u>

The opening entries for the new Company's books are as follow :—

	£	s	d	£	s	d
Land, Buildings, and Machinery	74,800	0	0			
Stock	18,000	0	0			
Debtors	1,700	0	0			
Bank	1,350	0	0			
Cash	25	0	0			
Goodwill.. .. .	9,275	0	0			
To Vendors	..			105,150	0	0
Vendors	2,200	0	0			
To Creditors.. .. .	..			2,200	0	0
Vendors.. .. .	102,950	0	0			
To Cash	..			2,950	0	0
„ Share Capital Account	..			60,000	0	0
„ Debentures Account	..			40,000	0	0

AUDITING.

Q. 1.—Under the Companies Act, 1900, what is required of Auditors, and how far does it vary their previous duties and responsibilities?

A. 1.—Under Section 12, Sub-section 3, the auditor (if then appointed) is required to certify as correct—so far as it relates to the shares allotted by the company and to the cash received in respect of such shares, and to the receipts and payments of the company on Capital Account—the Report which, under Sub-section 2, the directors are required to forward to every member at least seven days before the day on which the statutory meeting is held.

Under Section 23 the auditor is required to sign a Certificate at the foot of every Balance Sheet laid before the company in general meeting, stating whether or not all his requirements as auditor have been complied with, and in addition to make a Report to the shareholders on the accounts examined by him.

The provision with regard to the Report to the statutory meeting is entirely new, while the separation of the auditor's Report from the Certificate appended to the foot of the Balance Sheet is also new, in the sense that it renders compulsory a practice that was formerly only adopted under unusual circumstances.

Q. 2.—What authority would you require to enable you to verify the correctness of the amounts paid by a Company for Directors' fees, Managing Director's salary, Managers' and Clerks' salaries, and Agents' and Travellers' remuneration?

A. 2.—(a) If the Directors' Fees are fixed by the articles of association, reference would be made to that document. If they

depend to any extent upon the number of attendances, the Directors' Attendance Book would also have to be consulted. If they were divisible among the directors in such proportions as they might agree, the Directors' Minute Book should be referred to. If the directors' fees are not fixed by the articles, they would have to be voted by the shareholders in general meeting, and the Shareholders' Minute Book would have to be referred to.

(b) It would be necessary to refer to the articles of association. If these appoint the managing director and fix his salary, no further enquiry is necessary. If not, they may authorise the directors to appoint a managing director and fix his salary : in such case a resolution of the Board, recorded in the Directors' Minute Book, would be sufficient ; but if not, the appointment could only be made and the salary fixed by the shareholders in general meeting.

(c) It is competent for the directors to appoint managers, clerks, agents, and travellers, and to fix their remuneration. A resolution of the Board is itself sufficient authority for the expenditure. Where, however, any contract or agreement has been entered into, it is desirable that it should be inspected by the auditor.

Q. 3.—What safeguards would you employ as Auditor of a manufacturing Company as regards :—

- (a) Valuation of Stock ?
- (b) Valuation of Book Debts ?
- (c) Additions to Capital Expenditure in purchases, material, or wages ?

And what considerations should guide you in fixing the amount of depreciation on Plant and Machinery ?

A. 3.—(a) A detailed inventory should be submitted, signed by the persons responsible for the quantities, prices, extensions, and additions. This should be supplemented by a certificate, signed

by the managing director (or the chairman and the secretary), to the effect that the stock has been taken under their supervision and in accordance with their instructions ; that the valuation is upon the basis of cost (less depreciation where necessary), and is to the best of their knowledge and belief correct in all particulars.

The auditor should examine into the probability of the valuation, test it in every available manner, check a selected number of calculations and additions, and fully enquire into the prices appended to a certain number of items taken at random. In particular it is necessary that he should satisfy himself as to the correctness of the item, and honestly believe that the valuation is a fair one.

(b) As the question only deals with the *valuation* of Book Debts, it may be assumed that no point arises as to the book figures. It remains, however, to consider the reserves necessary to provide for cash discounts and bad and doubtful debts. With regard to the former, when it is the custom to allow a discount for cash it is usual to reserve the full cash discount upon all open accounts. Where, however, it is practically certain that the discounts actually allowed will amount to less than this sum, it would be sufficient to make such a reserve for discounts as the experience of the past has shown to be ample. With regard to bad debts, the auditor should carefully examine the Ledgers, draw attention to all overdue and doubtful accounts, and obtain from the manager (or some other equally competent person) a certificate that the amount proposed to be reserved is ample for all reasonable contingencies. If the debts are extremely numerous, it will be sufficient for the auditor to test the adequacy of the provision made in respect of a certain number selected by him. In any case he must be satisfied that the provision proposed to be made is, so far as he can judge, sufficient to meet all reasonable contingencies.

(c) The same conditions apply here. So far as possible the auditor should verify the items. He should obtain a certificate

from the persons in authority that the value of the assets has been improved to a corresponding extent, and that in consequence it is proper for the expenditure to be capitalised. In addition to this he must be satisfied himself that the procedure adopted is the correct one.

As to depreciation, the auditor does not fix the amount thereof and therefore requires no "considerations" to guide him in so doing. What he has to do is to satisfy himself that—upon this point, as upon other points—the accounts are correct, and, if not, to report to the shareholders accordingly. As to what considerations should guide him in the formation of his opinion, it may be stated that as a rule the rate of depreciation would be from $7\frac{1}{2}\%$ to 10% per annum on the reducing balance; but of course these rates only apply to normal conditions and can hardly be stated to fully cover the possibility of the machines becoming obsolete, if that contingency is specially likely to occur. If the auditor feels doubtful, and cannot induce the directors to obtain an independent valuation, his most prudent course would be to disclaim all responsibility in connection with the matter.

(For further information upon these points the student is referred to Dicksee's "AUDITING.")

Q. 4.—Specify in the case of a manufacturing firm or Company what classes of expenditure should be introduced into the Manufacturing or Trading Account, and what into the Profit and Loss Account.

A. 4.—In general terms the Manufacturing or Trading Account should include all expenditure contributing to the cost of producing the articles dealt in, up to the point that they become saleable; while the Profit and Loss Account should be charged with all expenses in connection with the sale thereof and the general charges of administration. In practice, however, it is generally found expedient to so arrange matters that the balance

of Gross Profit brought forward from the first account to the second should be so based that—other things being even—it maintains a constant percentage upon the sales whatever the turnover of the business. To enable this to be done, production expenses which are fixed, and do *not* vary with the turnover, are therefore generally charged to Profit and Loss Account. Where, however, this course is pursued, it is best to show them separately from the items that properly belong to this account.

(For further information upon this point the student is referred to Dicksee's "AUDITING," pp. 222-6.)

Q. 5.—If you, as a Chartered Accountant, were consulted by Directors as to paying an Interim Dividend, what would you advise? What information would you consider necessary to enable you to form an opinion? Would your views be modified if you were the duly appointed Auditor of the Company?

A. 5.—If the accountant has been duly appointed auditor to the company, he should make it clear that what he is being called upon to do has nothing to do with his audit, and is not being done by him as auditor. So that there may be no misunderstanding, it would be well to arrange a special fee for the work, even if only a nominal one.

For their protection the directors will require to be reasonably satisfied that the profits earned justify the payment of the proposed interim dividend. This does not necessarily involve the preparation of interim accounts, if the past experience of the company can be relied upon to let it be assumed that there is some reasonable connection between the net profit earned and the amount of turnover. But, in the case of a new company or in any case of doubt, the directors would be well advised not to declare any interim dividend until proper accounts had been prepared in the usual way, which (after being audited) showed a sufficient amount of net profit available for that purpose.

Q. 6.—Below what figure is Income not assessable to Income Tax, and what are the deductions and abatements allowed to be made in a taxpayer's return? What are the modes of assessment under the Income Tax Acts which a taxpayer has the option of choosing?

A. 6.—Income Tax is not payable upon incomes amounting to less than £160 per annum. Upon incomes not exceeding £400 there is an abatement of £160 ; on incomes not exceeding £500 an abatement of £150 ; on incomes not exceeding £600 an abatement of £120 ; and on incomes not exceeding £700 an abatement of £70. No abatement is allowed on incomes in excess of £700.

Allowances may be claimed in respect of wear and tear of plant and machinery at the discretion of the Surveyor, and in respect of premiums paid to a British office on an insurance of the life of the person assessed or his wife up to, and not exceeding, 1-6th of the total income assessable. This last form of allowance does not, however, operate to entitle the taxpayer to a larger abatement than he would otherwise have been entitled to.

Taxpayers may elect whether they will be assessed by the General Commissioner in their own name, by the General Commissioner under number or letter, or by Special Commissions. The assessment of the Surveyor is only effective in the absence of appeal.

(For further information upon the subject of Income-tax the student is referred to Dicksee's "AUDITING," pp. 331-7, or—for more involved problems—to Murray and Carter's "GUIDE TO INCOME-TAX PRACTICE.")

Q. 7.—What books and documents should you consult upon the first audit of a Limited Company?

A. 7.—In addition to the ordinary books of account, and the books and returns that companies are required to keep by law,

the auditor would want submitted to him copies of the memorandum and articles of association, of any contracts or agreements that may have been entered into by the company, the prospectus and the original applications for shares and debentures.

Q. 8.—What books or information would you require to verify the Income Account of a Corporate body (such as a Public School or a Cathedral Chapter), or of a great landowner.

A. 8.—In each of the cases named the procedure will be practically identical, in that the normal fixed income would have to be traced as having been received in cash, or its non-receipt duly accounted for. The amount of the normal income would be ascertained by an inspection of those documents which contained an authoritative, full, and detailed account of the properties owned or fees receivable. The fullest and most careful enquiries would, however, have to be made, with a view to make sure that no additions had been made to the property since the last inventory had been taken. Beyond this point the audit would, of course, proceed upon the ordinary lines.

Q. 9.—What points would you take into account in writing down Patents or Copyrights?

A. 9.—It is the opinion of some authorities that Copyrights and Patents are for practical purposes in the nature of Goodwill, and as such need not be definitely depreciated, although it is desirable that a general Reserve should be built up to provide for their gradual extinction. Inasmuch, however, as both copyrights and patents expire, the latter in a comparatively short time, it may well be questioned whether this procedure is altogether desirable. That, however, is a point that would be more worth discussing, if it were usual for the market value of copyrights and patents to survive as long as their legal life. As a matter of fact these commodities have as a rule a much shorter existence.

On the other hand the cost of acquiring them is undoubtedly in the nature of capital expenditure, and, as such, need not be written down unless the company's regulations expressly so require.

Upon the whole it is thought that the best way to treat these items in the accounts of a company is to maintain them in the books at cost, but per contra to build up an efficient Reserve, more than sufficient to compensate for any decrease in their actual value as a whole. From time to time, as any particular item becomes valueless, it should be written out of the books, reducing the Reserve to a corresponding extent.

(For further information upon these points the student is referred to Dicksee and Stevens' "GOODWILL," and to Dicksee's "AUDITING," pp. 86-7.)

Q. 10.—Describe or suggest a system by which the amounts received by Collectors from Subscribers to a Charity can be checked and verified. Describe, also, a method for the checking of weekly takings by Collectors for an Industrial Assurance Company.

A. 10.—(a) Where the subscriptions are received from regular subscribers they may be best checked by causing letters to be written direct from the office to those whose subscriptions have not been accounted for by the collectors. This course would doubtless disclose any defalcations on the collector's part. A further safeguard is provided by the annual publication of a complete list of subscribers, the anonymous subscriptions being identified by the numbers on the receipt forms upon which they have been acknowledged. Where, however the collectors call promiscuously, the only possible form of check consists in a notification appearing prominently upon the collector's authority, requesting all contributors to insist upon receiving a receipt upon the proper authorised form, and a strict tally being kept of the counterfoil (or duplicate) receipt books handed to the various

collectors. This system, combined with the publication of list of subscribers already referred to, would doubtless prove effective in the long run.

(b) The position here is closely analogous to subscriptions received from regular contributors to charities, and may be checked in the same way. A strict account should, however, of course be kept of all receipt books issued. In some cases it might be practicable for these receipt forms to be written (or printed) in the office, so that the collector might be definitely charged with the gross amount receivable, and called upon to either account for that amount in cash or produce unused receipts for the difference. Frequently however, this system would be impracticable, as it would become impossible to keep strict tally of the fines charged on payments in arrear, and the rebates allowed for payments made in advance. In any cases of suspicion, however, there would be no difficulty in obtaining production of the assured's receipts, and so effectively detecting any discrepancy that might arise.

BOOKKEEPING AND ACCOUNTS

(INCLUDING EXECUTORSHIP ACCOUNTS).

Q. 1.—Mart & Co. received from George Marchant for sale 120 bags of Coffee from Jamaica by the ship "Cape" marked . The gross weight was 150 cwt. and allowance for tare and draft 4 cwt. The sale realised 60s. per cwt. Mart & Co. paid the following expenses :—

Sale Expense and Advertising	..	..	£10	0	0
Freight	..	..	8	0	0
Dock Charges	..	..	3	0	0
Fire Insurance	..	..	0	10	0

and charged 5 per cent. commission.

Make out Account Sales dated December 1st 1901.

A. 1.—

MART & CO.,

in account with GEORGE MARCHANT.

Account Sales of 120 Bags of Coffee, *ex ss.* "Cape," marked

1st December 1901



	£	s	d	£	s	d
To 146 cwt. Jamaica Coffee at 60/-	438	0	0			
By Sale Expenses and Advertising		10	0			
„ Freight		8	0			
„ Dock Charges		3	0			
„ Fire Insurance		0	10			
„ Commission at 5 per cent.		21	18			
				43	8	0
Draft herewith at	£394	12	0			

Q. 2.—Rule a form of Cash Book with three columns for Discounts, Cash, and Bank, and write in the form such of the following items as should properly be entered therein, and bring down the balances.

The Bank items debited to the Bank must appear on the debit side, and those items credited on the credit side.

Dec. 5.—Balances brought forward: Cash in hand, £55 10s. 6d.; at Bank, £360 8s. 11d.

Bought at Auction, a piece of land for £500, and paid by cheque deposit £50.

Received from A. Black on account, £70.

Received of K. Brown, £15 10s., and allowed 8s. to balance account.

My acceptance of L. White's draft for £100, due this day, paid by Bank.

„ 6.—Cash paid into Bank, £130.

Received of D. Green, acceptance at three months, dated November 30th, for £200.

Received of C. Gray, cheque £242 5s.; discount allowed, £12 15s.

Received of W. Rose on account, £90.

Paid cash to D. Jones for plumbing account, £11 7s. 8d., less 5s. 8d. for discount,

Paid G. Hughes cheque £112.

Paid carriage (in cash), £1 17s. 6d.

Paid to Bank, £302 5s.

„ 7.—Repaid Petty Cash Clerk for payments made by him out of petty cash, namely:—

Carriage	..	..	£2 15 0
Postage and Telegrams	..	..	1 18 6
Trade expenses	..	..	0 19 0
			<u>£5 12 6</u>

Cash from Bank for Wages, &c., £210.

Paid for Wages, £198 16s. 6d.

Paid D. Marks cheque on account of Salary, £10.

A. 2.—

Dr.

CASH BOOK.

Cr.

		Dr. count		Cash		Bank			Discount		Cash		Bank		
		£	s d	£	s d	£	s d		£	s d	£	s d	£	s d	
Dec. 5	To Balance ..	..	..	55	10 6	360	8 11	Dec. 5	By Deposit ..	..	..	..	50	0 0	
"	" A. Black ..	..	..	70	0 0			"	" Bills Payable ..	..	..	..	100	0 0	
"	" K. Brown ..	..	..	0 8	0 15	130	0 0	"	" (L. White) ..	..	..	..			
6	" Cash ..	..	..	12	15 0			6	" Bank ..	..	..	130	0 0		
"	" C. Gray ..	..	..	..	..	242	5 0	"	" D. Jones ..	..	..	11	2 0		
"	" W. Rose ..	..	..	..	..	90	0 0	"	" G. Hughes ..	..	0	5 8			
"	" Cash ..	..	..	..	..			"	" Carriage ..	..	..	1	17 6	112	0 0
7	" Bank ..	..	..	..	..	210	0 0	7	" Petty Cash for—	..	..				
									" Carriage ..	..	..	2	15 0		
									" Postages ..	..	..	1	18 6		
									" Trade Ex- penses ..	..	..	0	19 0		
								"	" Bank ..	..	..	302	5 0	210	0 0
								"	" Cash ..	..	..	..	..		
								"	" Wages ..	..	..	198	16 6		
								"	" D. Marks (Salary) ..	..	..	..	..	10	0 0
								"	" Balance carried down	..	..	83	12 0	310	13 11
Dec. 8	To Balance brought down	£13	3 0	£683	5 6		£792 13 11			£0	5 8	£683	5 6	£792	13 11
		..	..	£33	12 0	£310 13 11									

N.B.—The Totals of the two Discount Columns would be posted in the Nominal or Private Ledger.

Q. 3.—R. R. died May 31st 1901, leaving a will. His property consisted of the following :—

The house (freehold) in which he had resided assessed at the gross annual value of £100.

Eight dwelling-houses held under lease for 500 years subject to an annual ground rent of £30, and let at £40 a year each, without deduction, except income tax. This property is mortgaged for £2,000 at $3\frac{1}{2}$ per cent.

500 £1 shares fully paid in the Threadneedle Cotton Company, Lim., quoted $1\frac{1}{2}$ — $1\frac{3}{4}$.

100 £10 shares fully paid in the Springfield Dairy Company, Lim., quoted $5\frac{1}{2}$ — $6\frac{1}{2}$.

£860 Ordinary Stock of North to South Railway, quoted 55—56.

Household goods, pictures, &c.

Cash in house, £20.

Cash at Bank, £318 10s. 6d.

Capital (including goodwill) in the firm of Rother & Co., £8,000.

Interest from December 31st 1900, in lieu of profit, £800.

Debts due from Deceased, £250.

Funeral expenses, £60.

State what account is required to be filed before Probate is granted to an Executor. From the above particulars, which include all the deceased's property and assets, make out such an account as far as possible, and state what further information would be necessary and how you would obtain it to enable you to complete the account.

A. 3.—The account to be filed is that known as "A—1," which contains a full account (verified by affidavit) of all the estate of which the deceased died possessed, arranged in the following form :—

A. 3.—(continued).

ACCOUNT No. 1.

FIRST PART—PERSONAL PROPERTY.

	£	s	d	£	s	d
500 £1 Shares in Threadneedle Cotton Company, Lim., @ 1½	625	0	0			
100 £10 Shares in Springfield Dairy Company, Lim., @ 6	600	0	0			
£860 Stock of North to South Railway @ 55½ ..	477	6	0			
				1,702	6	0
Cash in house				20	0	0
Cash at the Bankers				318	10	6
Household Goods, Pictures, China, &c. (<i>To be included in account at valuation taken for probate</i>) ..						
Deceased's share in Real and Personal Property as a partner in the firm of Rother & Co.				8,800	0	0
Leasehold Property (<i>To be included at valuation</i>) £						
Less :—Mortgage debt of (<i>interest to 31st May, 1901, to be included</i>)						
Rents of the deceased's own Real and Leasehold Property (<i>the proportion accrued due up to 31st May 1901 to be inserted here</i>)						
				£		

SECOND PART—REAL PROPERTY IN ENGLAND.

	£	s	d
Real Property in England vested in the deceased without a right in any other purpose to take by survivorship			
(<i>To be included at gross principal value.</i>)			
Total of First and Second parts	£		

A. 3.—(continued).

SCHEDULE 1.

FIRST PART—AN ACCOUNT OF DEBTS DUE, AND OWING FROM THE DECEASED.

	£	s	d
(Name and Address of Creditor, and description of Debt to be inserted here)	250	0	0

SECOND PART—AN ACCOUNT OF THE FUNERAL EXPENSES OF DECEASED.

	£	s	d
(Particulars to be inserted here)	60	0	0

Total of First and Second parts	..	..	£310	0	0
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Q. 4.—On March 30th 1900 the Trustees of A. B. purchased ex dividend £10,000 of $2\frac{3}{4}$ per cent. Consolidated Stock at $99\frac{3}{4}$ per cent., paying therefor the sum of £9,987 6s., including £12 6s. for brokers' charges and stamps. On June 30th 1900 £2,000 of the said stock was sold at 103, realising £2,060, less expenses £2 16s. On August 12th 1900 a further £3,000 was sold at 97, realising £2,910, less expenses £4 1s. The payment by the Trustees was made by cheque drawn on the L. S. D. Bank, and amounts received were paid to the Bank.

Enter these transactions in the Trustees' books, open a Ledger Account for the Consolidated Stock, post the items which belong to it, and complete the account, bringing down the balance of Stock at the price at which it was purchased.

A. 4.—

Dr.

2½% CONSOLIDATED STOCK ACCOUNT.

Cr

1900 Mar. 31 Aug. 31	To Cash—Purchase of Stock .. " Income Account ..	Stock £ s d 10,000 0 0	Capital £ s d 9,987 6 0	Income £ s d 65 6 3	1900 June 30 July 31 Aug. 12 " 31	By Cash—Sale of Stock " " Dividend .. " " Sale of Stock .. " " Capital Account— Loss .. " Balance down ..	Stock £ s d 2,000 0 0 3,000 0 0 5,000 0 0	Capital £ s d 2,057 4 0 2,905 19 0 30 10 0 4,993 13 0	Income £ s d 65 6 3
Sept. 1	To Balance	£10,000 0 0 5,000 0 0	£9,987 6 0 4,993 13 0	£65 6 3 65 6 3			£10,000 0 0	£9,987 6 0 4,993 13 0	£65 6 3 65 6 3

Q. 5.—G. H. and E. B. are executors and trustees under the will of the late D. F., who died about four years ago. G. H., who has been acting executor and trustee, arranged to supply to his co-trustee and the solicitor acting on behalf of several beneficiaries a complete statement of accounts certified by a Chartered Accountant. He requires you to prepare the accounts in proper form and enter them in books to be used in future. He states that his receipts and payments and memoranda of bank and other transactions have been entered in diaries. The income consists of rents from various properties and interests and dividends from investments. State what accounts you would prepare, and what papers and documents you will require to enable you to prepare and certify them.

A. 5.—The starting points would have to be the sworn Estate Duty Account and the Will. The former would disclose the extent of the property, and the latter its disposition.

The accountant would have to take each item in the Estate Duty Account and carefully trace what had become of it. Bank pass books, cheque books, brokers' notes, &c., would doubtless help to throw some light upon the matter, while, of course, it would be necessary to see that all income receivable had been duly accounted for, to vouch all payments, and to verify the existence of all outstanding assets.

The accounts required would be a complete Cash Account for the period (distinguishing between receipts and payments on account of Capital and receipts and payments on account of Income) and a Ledger, containing accounts for each separate investment, Capital, Income, Debts due at Death, Executorship Expenses, Duties, Legacies, &c. The Balance Sheet as at the present date would be carefully verified in the usual manner, and each transaction recorded in the books would have to be supported by proper vouchers, and be shown to be a proper transaction for the Executors to have entered into under the terms of the Will.

Q. 6.—What do you understand by apportionment in relation to Executorship Accounts? Under what circumstances are apportionments necessary?

A. 6.—By the term “apportionment” is understood the allocation of income earned up to a specified date to the credit of one account, and of income earned after that date to the credit of another account, wholly irrespective of the date upon which the income has been actually received.

In Executorship Accounts apportionment is necessary whenever the circumstances arise under which the Apportionment Act, 1870, requires an apportionment to be made.

Speaking in general terms, all rents, dividends, interest, and other income accruing from day to day have to be apportioned, so that the proportion accrued up to the date of the death of the testator is credited to Capital, while from that date onwards they are credited to Income Account.

Any interest-bearing investment specifically bequeathed carries with the bequest the income earned as from the date of death.

On the death of a life-tenant an apportionment has again to be made, so as to ascertain the amount to be credited to the deceased life-tenant, who is entitled to the income up to the date of his (or her) death. If for any reason other than death (as, for instance, re-marriage) the interest of a life-tenant ceases on any particular date, an apportionment has to be made up to that date, so as to ascertain the amount to which the life-tenant is entitled.

Q. 7.—A Testator died on October 1st 1900. The following sums were received by the Executors, namely:—

Nov. 30 1900.—Half year's rent due October 30th, £35.

Dec. 10 ,, Half year's interest on 5 per cent. Debentures, less tax
£1 9s. 2d. = £23 10s. 10d.

Jan. 19 1901.—Amount of loan £300 with interest at 5 per cent. from August 26th 1900 to this date, less tax, 7s. = £305 18s.

Mar. 10 „ Dividend on £2,000 ordinary Stock of the Arcadia Railway at 7½ per cent., making with interim dividend paid in July last 10 per cent. for the year, tax paid by the Company.

May 1 „ Half year's rent due April 30th, less tax for the year, £3 8s. 1d. = £31 11s. 11d.

State how these items should be dealt with in the Accounts, and make such apportionments as are necessary.

A. 7.—They would be apportioned as follows :—

			<i>Capital.</i>	<i>Income.</i>
30 November 1900	..	..	£29 9 0	£5 11 0
10 December „	..	..	14 10 8	9 0 2
19 January 1901	..	..	301 7 10	4 5 2
10 March „	..	..	72 6 7	77 13 5
1 May „	..	..	..	31 11 11

Q. 8.—Prepare a form for a Bills Receivable Book, containing, in addition to the columns for particulars of Bills, a Ledger Account for debit and credit of amounts.

A. 8.—The following is a form of Bills Receivable Book with Ledger columns attached :—

A. 8.—(continued).

BILLS RECEIVABLE LEDGER.																		Cr.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Dr.		No.	Date received	From whom receivable	Where payable	Date of Bill	Term	When due												S. L. to.	Discount allowed	Amount of Bill	How disposed of	Date when cash received	C.B. to.	Amount of Cash and Discount																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
								Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		</

Q. 9.—From the following Trial Balance taken from the books of the Midland Nursery, Lim., and the particulars given below, prepare Trading and Profit and Loss Accounts and Balance Sheet. The accounts extend over a year.

TRIAL BALANCE, 30th September 1901.

Nominal Capital, 10,000 Shares of £10 each.									
		£	s	d		£	s	d	
Subscribed Capital, 5,000 Shares fully paid ..						50,000	0	0	
Land, Buildings, and Stock		41,500	0	0					
Purchases, less Returns		6,609	9	0					
Sales Credit						22,560	12	9	
" Cash						2,096	7	3	
Wages		5,050	10	6					
Sundry Debtors		14,389	17	2					
" Creditors						2,800	15	0	
Cash at Bank		7,160	5	10					
" in hand		56	4	9					
Reserve Fund, 30th September 1900 ..						2,500	0	0	
Salary, Managing Director		750	0	0					
Manure		150	11	6					
Horse Expenses and Team Work ..		453	12	4					
Packages		301	8	4					
Fuel, Gas, and Water		380	16	0					
Repairs and Maintenance		590	7	8					
Stationery, Printing, and Advertising ..		720	0	6					
Rates and Insurance		294	11	8					
Stamps and Telegrams		205	6	8					
Commission and Travelling		486	9	0					
Carriage and Freights		390	1	6					
Bad Debts and Allowances		74	16	0					
Horses and Conveyances		500	0	0					
Incidental Expenses		310	10	0					
Profit and Loss Account (balance 30th Sept. 1900)									
						417	2	7	
		£20,374	17	7		£20,374	17	7	

The Building and Stock are not revalued but maintained out of revenue, and £500 credited each year to a reserve fund. A reserve of £389 17s. 2d. should be made for loss on book debts, and 2½ per cent. for discounts on the remainder. The Wages paid for the week ending October 4th amounted to £90. Provide for other accruing expenses, £166 10s.

Q. 10.—From the following particulars write out a Capital Account and Balance Sheet of the Sun Electric Light Company, Lim., as on December 31st 1900:—

Amounts on				Amounts on Dec. 31st 1900.		
£	s	d		£	s	d
42,628	17	2	Mains, including cost of laying	90,211	10	4
1,163	18	8	Transformers, Motors, &c. ..	9,537	3	10
521	10	6	Meters and Fees for certifying ..	2,171	11	6
			Electrical Instruments	186	8	8
963	3	0	Cost of Provisional Order	963	3	0
40,000	0	0	Preference Shares, 40,000 £1 Shares 6 per cent. ..			40,000 0 0
50,000	0	0	Ordinary Shares, 50,000 £1 Shares,			50,000 0 0
			Debenture Stock, 4½ per cent. ..			20,000 0 0
			Sundry Creditors..			7,943 1 7
			Reserve for Depreciation and Repairs			2,000 0 0
			Sundry Debtors ..	10,089	14	2
			Stores on hand ..	5,005	12	2
			Cash at Bank ..	5,500	8	0
			Cash in hand ..	27	0	6
			Dividend on Preference Shares for half-year to June 30th 1900, less tax.. ..	1,140	0	0
			Revenue Account, including £530 10s. balance from Dec. 31st 1899..			4,839 10 7
				<u>£124,782</u>	<u>12</u>	<u>0</u>
						<u>£124,782 12 2</u>

No. III.—CAPITAL ACCOUNT.
For the Year ending 31st December 1900.

A. 10.—

Dr.

Cr.

Expenditure up to 31st Dec. 1899	Expended during the Year.	Total Expenditure to 31st Dec. 1900		Receipts up to 31st Dec. 1899	Received during Year	Total Receipts to 31st Dec. 1900
£ s d	£ s d	£ s d		£ s d	£ s d	£ s d
<i>To Expenditure to 31st December 1899.</i>						
<i>Expenditure since that date.</i>						
1. To Lands, including law charges incidental to acquisition	42,628 17 2	47,582 13 2	90,211 10 4	50,000 0 0	..	50,000 0 0
2. To Buildings				40,000 0 0	20,000 0 0	40,000 0 0
3. To Machinery	1,163 18 8	8,373 5 2	9,537 3 10	..	..	20,000 0 0
4. To Accumulators at generating and distributing stations						
5. To Mains, including cost of laying the mains						
6. To Transformers, Motors, &c.						
7. To Meters, and fees for certifying under the Act	521 10 6	1,650 1 0	2,171 11 6			
8. To Electrical Instruments, &c.	..	186 8 8	186 8 8			
9. To General Stores (Cable, Mains, Lamps)						
10. To Purchase of Patents or Patent rights						
11. To Cost of License, Provisional Order, &c.	963 3 0	..	963 3 0			
12. To Special Items						
Total expenditure	45,277 9 4	57,792 8 0	103,069 17 4			
To Balance of Capital Account	..	..	6,930 2 8	90,000 0 0	20,000 0 0	110,000 0 0
			£ 110,000 0 0			

Provision for depreciation of works is made by a debit of £2,000 to Revenue Account transferred to Depreciation Fund Account, No. VII.

A. 10.—(continued).

Dr.		Cr.	
Liabilities		Assets	
1. To Capital Account: Amount received as per Account No. III...	£ s d 110,000 0 0	1. By Capital Account: Amount expended for Works as per Account No. III...	£ s d 103,069 17 4
2. To Sundry Tradesmen and others, due on construction of Plant and Machinery, Fuel, Stores, &c., to 31st December 18...	7943 1 7	2. By Stores on hand at 31st December 18—	
3. To Sundry Creditors on open accounts	3,699 10 7	Coal	
4. To Net Revenue Account: Balance at credit thereof		Oils, Waste, &c.	
5. To Reserve Fund Account		General	
6. To Depreciation Fund Account	2,000 0 0	3. By Sundry Debtors for amounts paid on account of Contracts in Course of Completion ..	5,005 12 2
		4. By Preliminary Expenses	10,039 14 2
		5. By Sundry Debtors for Current supplied to 31st December 18	
		6. By other Debtors	
		7. By Cash at Bankers:—	£ s d
		Messrs.	5,500 8 0
		Messrs.	
		Messrs. (Amount on deposit)	
		8. By Cash in hand	27 0 6
	£123,642 12 2		5,527 8 6
			£123,642 12 2

.....Chairman.

.....Manager and Secretary.

.....March 1901

RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES, AND RECEIVERS.

Q. 1.—What difference has the 1900 Act made in the position of creditors of a Company being wound up (*a*) by order of the Court; (*b*) voluntarily?

A. 1.—By Section 14 of the Act of 1900 all mortgages or charges therein specified are void as against the liquidator and creditors of a company, unless filed with the Registrar in the manner and time specified in the Act.

By Section 24 the provisions of Section 2 of the Joint Stock Companies Arrangement Act, 1870 (*q.v.*), are made to apply as between the company and its members or any class thereof in addition to the creditors.

The above alterations apply where the company is being wound up, either voluntarily or by the Court.

By Section 25 of the Act of 1900 the contributories' right of application to the Court in a voluntary liquidation is extended to creditors.

By Section 26 of the Act of 1900 a creditor is given power to apply to the Court in a case where the Registrar has struck out the name of a company under Section 7 of the Companies Act, 1880.

Q. 2.—Describe the difference between a voluntary liquidation and one under supervision.

A. 2.—When a resolution has been passed by a company to wind up voluntarily, the Court may order the voluntary winding-up to continue subject to the supervision of the Court, with such liberty for creditors, contributories, and others to apply to the Court as the Court may think just. Such an order empowers

the Court to appoint additional liquidators, and to remove those appointed by the Court. The liquidators have power, subject to any restriction imposed by the Court, to proceed as if the liquidation were altogether voluntary. But the order, save as aforesaid, is deemed to be an order for winding-up the company by the Court. All actions and proceedings against the company are stayed. The Court can make calls, or enforce those made by the liquidators, and exercise all other powers which it might have exercised if the company were being wound up altogether by the Court. (Companies Act, 1862, Sections 147-152.)

Q. 3.—What is a Special Manager, and when is he appointed? Describe his duties.

A. 3.—When the Official Receiver becomes liquidator of a company the Court may, on his application, appoint a special manager of the estate or business of the company, if such appointment is necessary owing to the nature of the business or to the interests of the creditors or contributories. The Court may grant such special manager such powers, including any of the powers of a receiver and manager as the Court may think fit. The special manager must give security, to be fixed by the Board of Trade. His remuneration is fixed by the Court.

Q. 4.—What is required in order to give effect to a general scheme of liquidation (1) in the case of a compulsory winding-up; and (2) in the case of a voluntary winding-up?

A. 4.—(1) The sanction of the Court or of the committee of inspection (Companies Act, 1862, Sections 95 and 159-162; Companies (Winding-up) Act, 1890, Section 12).

(2) The sanction of an extraordinary resolution of the company, or, if the scheme take the form of a sale of the business of the company to another company, the sanction of a special resolution (Companies Act, 1862, Sections 159-162).

Q. 5.—What steps must a liquidator take in order to make a call upon contributories ?

A. 5.—When the liquidation is voluntary the liquidator makes calls by declaration, which should be entered in the Record Book. Notice to the contributories is to be given in the same manner as other notices by the company.

Where the liquidation is compulsory the liquidator must summon a meeting of the committee of inspection, should there be one, who must sanction the call by special resolution passed by a majority of those present. If there is no committee of inspection the liquidator must ask the leave of the Court to make such call by summons.

Q. 6.—What are B contributories, and under what circumstances and to what extent can a liquidator recover moneys from them in a winding-up ?

A. 6.—B contributories are persons who have ceased to be members of the company within one year previous to the winding-up. They are liable only if the A contributories—*i.e.*, members of the company at the time of winding-up—are unable to contribute the money required. They are only liable for the amount unpaid on their shares.

Q. 7.—By what means can a trustee in bankruptcy obtain information as to transactions affecting the bankrupt's estate which he believes to be in the possession of persons other than the bankrupt, who are not known to be debtors to or creditors of the estate ?

A. 7.—By Section 27 of the Bankruptcy Act, 1883, the Court may, on the application of the trustee, summon before it (*inter alios*) any person known or suspected to have in his possession any of the estate or effects of the debtor, or any person deemed capable of giving information respecting the debtor, his dealings, or

property. The Court has power to examine such person, and require him to produce documents.

Q. 8.—Have any of the creditors in a bankruptcy, and if so, which of them, a right to inspect the trustee's books; and what books and other documents, if any, can they have copies of, and on what terms?

A. 8.—By Section 80 of the Bankruptcy Act, 1883, any creditor may, subject to the control of the Court, personally or by his agent inspect the trustee's books.

By Rule 314 any creditor who has proved his debt may apply to the trustee for a copy of the accounts, or any part thereof, as shown by the Cash Book, on payment at the rate of 3d. per folio.

By Section 16 of the Bankruptcy Act, 1890, the trustee may be required by any creditor to furnish a list of creditors, showing the amount of debt due to each. Charge, 3d. per folio and postage.

By Section 17 of the same Act any creditor, with the concurrence of one-sixth of the creditors, may at any time call on the trustee for a statement of the accounts up to the date of the notice on deposit of a sum sufficient to cover the cost of preparing and transmitting such accounts.

By Rule 315 such cost is to be calculated at the rate of 3d. per folio for preparation and transmission for each statement where the number of creditors does not exceed ten; and, where the number exceeds ten, 1s. per folio for the preparation of the statement and actual cost of printing.

Q. 9.—On what principle is the amount of security to be given by liquidators, trustees, and receivers fixed? What sort of security will be accepted by the Court, and who pays the cost, if any, of the same? Does a voluntary liquidator give security?

A. 9.—The practice and principles of the security required varies slightly in the three cases put. There is also a variation in the case of receivers between the practice of the Chancery and King's Bench Divisions. The general principle, however, is that the security must be equal in amount to the sum which it is anticipated that the party giving security will have in his hands. The security may be by bond with sureties, or may be by deposit; in some cases a deposit of Government Stock will be accepted, and sometimes certain approved Guarantee Companies are also accepted. The costs of giving security is, in the case of a receiver, borne in the first instance by the party giving security, but are allowed in his accounts. In the case of a liquidator or trustee they must be borne by the liquidator or trustee, as the case may be, personally.

Q. 10.—Can a Receiver be appointed to deal with property situated in a foreign country, and, if so, how should he usually proceed in order to manage and realise the same?

A. 10.—Yes; but the Court will not appoint a receiver where such appointment would be useless. If the receiver appointed be resident in England, he should have authority to appoint an agent to realise the property.

FINAL EXAMINATION, DEC. 1901.

BOOKKEEPING AND ACCOUNTS

(INCLUDING PARTNERSHIP ACCOUNTS).

Q. 1.—What is a Consignment Account? Carry one through in a firm's books.

A. 1.—A Consignment Account is an account recording the transactions in connection with a consignment in the books of either the consignor or the consignee. In the latter case two Ledger Accounts are necessary for the convenient record of the transactions.

The following example shows the treatment in the books of the consignee :—

Q. 2.—What are the peculiarities of Gas Accounts and Railway Accounts? Give an example of a Capital Account and Balance Sheet of one of them only.

A. 2.—The chief peculiarity in both cases is that the accounts are required to be kept in the prescribed statutory form, which is on the Double Account System.

The following are the forms referred to:—

RAILWAY COMPANIES.

Dr. RECEIPTS AND EXPENDITURE ON CAPITAL ACCOUNT.										Cr									
				Amount expended to		Amount expended during half-year		Total						Amount received to		Amount received during half-year		Total	
				£ s d		£ s d		£ s d						£ s d		£ s d		£ s d	
To Expenditure—										By Receipts—									
On lines open for Traffic (No. 5) ..										Shares and Stock, per account No. 2									
On lines in course of construction (No. 5)										Loans, per Account No. 3 ..									
Working Stock (No. 5)										Debenture Stock, per Account No. 3									
Subscriptions to other Railways (No. 5) ..										Sundries (in detail)									
Docks, steamboats, and other special items (No. 5) ..																			
To Balance																			

GAS COMPANIES.

CAPITAL ACCOUNT for the year ended 31st December 18

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Q. 3.—What is the meaning of Forfeited Shares and Premiums on Shares? How do they arise, and how should they be dealt with in a Company's Accounts?

A. 3.—Forfeited Shares is an item separately set to the liabilities' side of a Company Balance Sheet, immediately after the enumeration of the Share Capital. It is a credit balance in the Ledger, and represents the amount that has been received by the company in respect of shares that have been forfeited for non-payment of calls and not subsequently re-issued.

Premiums on Shares also should appear as a separate item on the liabilities' side of the Balance Sheet, either immediately before or immediately after Reserve Fund. Premiums on Debentures may, however, be included in the same item. It represents the amount received by the company from shareholders (and debenture-holders) in excess of the amount credited as being paid up on shares (or debentures). Formerly it was usual for these premiums to be credited to Reserve Fund; but in view of the decision of *Burrows v. Matabele Gold Reefs and Estates Company, Lim.*, it seems doubtful whether such premiums are legally available for dividend, and, if that be so, it is clearly desirable that they should be stated separately from the general Reserve Fund, which should represent the accumulation of undivided profits that *are* legally available for distribution.

Q. 4.—The following are the figures of a Trial Balance of a firm of Engineers on December 31st 1899:—

Land, Buildings, Plant, Tools, Catalogues, &c., January 1st	..	£90,000
Sale of Catalogues	.. .. .	45
Stock-in-Trade and Work in Progress	.. .. .	70,000
Expenditure on New Plant	.. .. .	3,500
Sundry Debtors	.. .. .	30,000
Cash at Bank	.. .. .	100
Bills Receivable	.. .. .	6,000
Sundry Creditors	.. .. .	25,500

Profit and Loss Account	..	..	..	£13,455
Received in respect of Work in Progress	..	..	..	23,000
Sundry Loans, Creditors	..	..	..	40,000
Capital at January 1st—				
A., £50,000; B., £30,000; and C., £20,000	..	..	..	100,000
Partners' Drawings—				
A., £1,000; B., £800; and C., £600	..	..	..	2,400

Complete the Profit and Loss Account, writing of 5 per cent. from Buildings and Plant, &c., and $2\frac{1}{2}$ per cent. from Debtors and Creditors; charging 5 per cent. interest upon Capital; and providing £400 for Income Tax, £500 for bonuses to officials, and £500 for Bad Debts reserve. Treat Partners' withdrawals as Salaries.

Divide the result between the Partners in the proportions of $\frac{3}{4}$ ths, $\frac{5}{14}$ ths, and $\frac{3}{14}$ ths to A., B., and C. respectively, and prepare Balance Sheet.

Q. 5.—A firm with three Partners, having Capital respectively of £5,000, £3,500, and £1,500, and owning its own premises, makes profits for three years of £1,000, £750, and £1,100; after charging interest upon Capital, £500, depreciation at 5 per cent. upon Buildings and Machinery standing in the books at £1,250 and £3,750 respectively, Property tax £25 (being at 1s. in the £ upon the Assessment), and the salaries of the three Partners, each £100. Income Tax has been charged direct to the Partners' Accounts.

A. takes $\frac{1}{2}$, B. $\frac{1}{3}$ rd, and C. $\frac{1}{6}$ th of the Profits.

Make out the firm's Income Tax return, showing the Assessment for which each Partner is liable, assuming that they had no other source of Income.

A. 5.—

		£	s	d	£	s	d
Net Profit as per Books :—							
First year	..	1000	0	0			
Second „	..	750	0	0			
Third „	..	1,100	0	0			
					2,850	0	0
Average for the three years	..				950	0	0
Add Interest on Capital	..				500	0	0
Partners' Salaries	..				300	0	0
Depreciation (if not allowed by Surveyor as "wear and tear") say ..	..				nil		
Property Tax*	..				25	0	0
Total Amount upon which Tax must be paid	..				£1,775	0	0

The Partners' respective Shares are as follow :—

		£	s	d	£	s	d
A.— $\frac{1}{2}$ of £1,475	..	737	10	0			
Salary	..	100	0	0			
					837	10	0
B.— $\frac{1}{3}$ of £1,475	..	491	13	4			
Salary	..	100	0	0			
					591	13	4
C.— $\frac{1}{6}$ of £1,475	..	245	16	8			
Salary	..	100	0	0			
					345	16	8
					£1,775	0	0

*It is assumed that this tax should have been deducted from the person to whom the rent is payable: if the premises are the property of the firm, £500 may be deducted from profits as representing the annual value of premises used solely for the business.

A. 5.—(continued).

	£	s	d	£	s	d
Therefore A.—pays Income tax on ..				837	10	0
B.— " " " " ..	591	18	4			
<i>Less</i> Abatement ..	120	0	0			
				471	13	4
C.—Pays Income tax on ..	345	16	8			
<i>Less</i> Abatement ..	160	0	0			
				185	16	8

Q. 6.—An English Company with a subscribed Capital of £1,000,000 in 20,000 Shares of £50 each, and having £30 per Share called up thereon, establishes a branch in America, which necessitates a further working Capital of £200,000. To carry out the necessary financial arrangements the Directors decide to issue Debentures for £100,000, and to call up £10 a Share from the Shareholders. Against this call they resolve to pay a bonus out of Reserve Fund of £5 per Share, and to divide the Shares into 100,000 of £10 each.

State what process will have to be gone through to effect this increase and change of Capital, and what are the necessary entries to be made in the books.

A. 6.—The proposed arrangement does not involve any increase of capital.

In accordance with the company's articles of association (whatever the exact terms may be), a call of £10 per share would have to be made upon all shares issued, and a bonus of £5 per share declared. The call notice would intimate to each shareholder that the bonus to which he was entitled had been credited to him on account of calls, and his remittance for the balance would be requested.

With regard to the debentures, unless the directors have power to issue them under the company's articles of association, the necessary resolutions would have to be passed by the company in general meeting. Applications would then be invited in the usual way, and the debentures issued to applicants in due course.

The following Journal entries indicate the entries that will be necessary in the books of the company :—

A. 6.—(continued).

JOURNAL.

	£	s	d	£	s	d
Call Account	200,000	0	0	200,000	0	0
To Share Capital Account						
Cash	100,000	0	0	100,000	0	0
To Call Account						
Reserve Fund	100,000	0	0	100,000	0	0
To Bonus Account						
Bonus Account	100,000	0	0	100,000	0	0
To Call Account						
Debenture Holders' Account	100,000	0	0	100,000	0	0
To Debentures						
Cash	100,000	0	0	100,000	0	0
To Debenture Holders' Account						

A special resolution of the company would be necessary to give effect to the splitting up of the £50 shares into five £10 shares apiece. New Share Ledgers and Registers of Members would be required, but in the financial books the following entry would suffice:—

Share Capital Account (old)	800,000	0	0	800,000	0	0
To Share Capital Account (new)						
(Being 20,000 shares of £50 each, credited with £40 per share paid-up, converted into 100,000 shares of £10 each, credited with £8 per share paid-up, as per Special Resolution passed—190 , confirmed—190 .)						

Q. 7.—What is a Sinking Fund as distinguished from a Depreciation Fund? Show the necessity of each, and their mode of treatment in the books of a Corporation.

A. 7.—A Sinking Fund is a Ledger Account having a credit balance, representing instalments set aside from year to year, with a view to providing (a) for the redemption of a liability at some future time, or (b) the means of replacing a wasting asset. As the instalments are set aside a corresponding sum is invested, all income derived from this source being re-invested, so that the instalments may be accumulated by compound interest. The amount of the instalments is fixed upon such a basis that, when the prescribed date has arrived, the accumulated investment may realise the required amount.

A Depreciation Fund differs from a Sinking Fund, in that its object is to spread the cost of wasting assets equally over the period during which they are in use. Accordingly there is no corresponding investment of instalments with a view to accumulating a tangible fund. The credit balance on the Depreciation Fund Account may be either deducted from the asset or shown separately upon the liabilities' side of the Balance Sheet. There is, however, this distinction, that whereas the instalments to provide for Depreciation are invariably a charge *against* profits, the Sinking Fund instalments are only a charge against profits if the fund is being built up to replace wasting assets. If its object be the redemption of a liability, the instalments are an allocation *of* profits.

In the books of a corporation the Sinking Fund instalments are included in the expenditure on account of that fund which is charged with the eventual redemption of the loan. Most corporations ignore depreciation altogether, on the ground that if they provide out of current rates for the gradual extinction of indebtedness there is no necessity to do more. As a matter of strict law this is probably so; but it sometimes happens that corporations are allowed to borrow money for certain purposes upon such terms that the fixed assets proposed to be secured will become valueless a considerable time before the loan has been redeemed. In such cases provision for depreciation is, of course,

necessary to make the financial position sound. When depreciation is so provided, the best course is to include the annual instalments as a charge against rates for the year, and to show the accumulation of such instalments upon the liabilities' side of the Balance Sheet. It is desirable that the assets should be held up at cost price, and not reduced either by Depreciation or Sinking Fund instalments.

Q. 8.—A firm of Manufacturers file a petition in Bankruptcy on December 31st 1900.

The firm commenced business on January 1st 1896 with a capital of £25,000. The trading, after charging interest upon capital at £1,000 a year, resulted in a profit for 1896 of £602, and in losses in the subsequent respective years of £370, £450, £500, and £700. The Drawings of the Partners were at the rate of £900 a year; and £1,500 had been expended during the 5 years upon Patents and Experiments. and at the date of Bankruptcy stood in the books at that sum. The Statement of Affairs shows the following figures:—

Unsecured Creditors	£15,050
Creditors Partly Secured	19,080
(Holding security, as stated by the books, of the value of £18,100, but which is only estimated to realise £6,000.)	
Creditors for Wages, Taxes, &c.	500
Bills Receivable Discounted	2,060
(Upon which it is estimated there will be a liability of £280.)	
Stock-in-Trade, as per the Books	10,100
(Which is estimated to realise £8,000.)	
Book Debts, good	7,860
Do. doubtful and bad	650
(Estimated to realise £178.)	
Land and Buildings, as per the Books	8,000
(Estimated to realise £5000.)	
Machinery and Plant	12,500
(Estimated to realise £5,500.)	
Cash in hand	2

Prepare the Statement of Affairs, and make out a Deficiency Account.

(a) Sheet "L" may be substituted for any one or more of such of the sheets named as will have to be returned blank.

IN THE HIGH COURT OF JUSTICE. IN BANKRUPTCY.

Re—

No.—of 1900

TO THE DEBTOR.—You are required to fill up, carefully and accurately, this sheet, and the several sheets A. B. C. D. E. F. G. H. I. J. and K. (a) showing the state of your affairs on the day on which the Receiving Order was made against you, viz., the Thirty-first day of December 1900. Such sheets, when filled up, will constitute your Statement of Affairs, and must be verified by oath or declaration.

Gross Liabilities	LIABILITIES (as stated & estimated by debtor)	Expected to rank	ASSETS (as stated and estimated by debtor)	Estimated to produce
£ s d		£ s d		£ s d
15,050 0 0	Unsecured Creditors, as per list (A)	15,050 0 0	Property as per list (H), viz. :—	
	Creditors fully secured, as per list (B) ..		(a) Cash at Bankers ..	
	Estimated value of securities		(b) Cash in hand ..	2 0 0
	Surplus		(c) Cash deposited with Solicitor for costs of Petition ..	
	Less amount thereof carried to sheet C		(d) Stock in Trade (cost £10,100)	8,000 0 0
	Balance thereof to contra .. £		(e) Machinery	
			(f) Trade fixtures, fittings, utensils, &c. ..	5,500 0 0
19,080 0 0	Creditors partly secured as per list (C) ..		(g) Farming stock ..	
	Less estimated value of securities	6,000 0 0	(h) Growing crops and tenant right ..	
			(i) Furniture	
2,060 0 0	Liabilities on bills discounted other than debtor's own acceptances for value, as per list (D), viz. :—	13,080 0 0	(j) Life policies	
	On accommodation bills as drawer, acceptor, or indorser ..		(k) Other property, viz. :—	
	On other bills, as drawer or indorser 2,060 0 0		Land and buildings ..	5,000 0 0
	£2,060 0 0			
	Of which it is expected will rank against the estate for dividend	280 0 0	Total as per list (H) ..	18,502 0
	Contingent or other liabilities as per list (E) £		Book debts as per list (I), viz. :—	
	Of which it is expected will rank against the estate for dividend		Good	7,860 0 0
			Doubtful	
	Creditors for rent, &c., recoverable by distress, as per list (F) ..		Bad	
	Creditors for rates, taxes, wages, &c., payable in full as per list (G)		£650 0 0	
500 0 0	Sheriff's charges, payable under s. 11 of the Bankruptcy Act of 1890, estimated at ..	500 0 0	Estimated to produce ..	178 0 0
	Deducted contra	£500 0 0	Bills of Exchange or other similar securities on hand as per list (J) .. £	
£36,690 0 0		£28,410 0 0	Estimated to produce ..	
			Surplus from securities in the hands of creditors fully secured (per contra) ..	£26,540 0 0
			Deduct creditors for distrainable rent, and preferential rates, taxes, wages, sheriff's charges, &c. (per contra) ..	500 0 0
				£26,040 0 0
			Deficiency explained in statement (K.)	2,370 0 0
				£28,410 0 0

I, the Debtor, do hereby make oath and say, that the above Statement and the several lists hereunto annexed marked A. B. C. D. E. F. G. H. I. J. and K. are to the best of my knowledge and belief a full, true, and complete statement of my affairs on the date of the above-mentioned Receiving Order made against me.

Sworn at ..
in the County of ..
this .. day of .. 189 ..
before me ..

Signature ..

A. 8.—(continued).

DEFICIENCY ACCOUNT.									
	£	s	d		£	s	d		
Excess of Assets over Liabilities on the 1st January 1896 ..	..			25,000	0	0			
Net Profit arising from carrying on business from the 1st January 1896 to date of Receiving Order, after deducting usual trade expenses, viz. :—									
1896	1,602	0	0						
1897	630	0	0						
1898	550	0	0						
1899	500	0	0						
1900	300	0	0	3,582	0	0			
Deficiency, as per Statement of Affairs	..			2,370	0	0			
Total amount to be accounted for	..			£30,952	0	0			
				Expenses incurred since the 1st January 1896, other than usual trade expenses, viz., household expenses of selves and —	..		4,500	0	0
				Expenditure upon Patents and Experiments	..		1,500	0	0
				Estimated Losses on realisation of Assets, viz. :—					
				Securities in hands of Creditors	12,100	0	0		
				Stock-in-Trade	2,100	0	0		
				Book Debts	472	0	0		
				Lands and Buildings ..	3,000	0	0		
				Machinery and Plant ..	7,000	0	0		
				Bills Discounted	280	0	0		
				Total amount accounted for ..	..		24,952	0	0
							£30,952	0	0

Q. 9.—If you were asked to make an examination of a firm's books for the purpose of giving a Certificate of Profits, with a view to its conversion into a Limited Company, how would you make your examination, and what are the chief points to which you would direct your attention?

A. 9.—The chief points to be considered are that the profits shown in the certificate—

- (a) Are properly incidental to the business proposed to be acquired ;
- (b) Include no exceptional items of profit that are not likely to recur ;
- (c) Do not arise from an exceptional economy in expenditure of recent date that could not be maintained ;
- (d) Are in accordance with the books submitted, which appear to be honestly and properly kept ;
- (e) Are probable and consistent ;
- (f) Have been realised under approximately the same conditions as will obtain under the company.

The following items need not be deducted from the profits so certified, but to avoid misapprehension it is better that the certificate should clearly state that they have *not* been deducted :—

- (a) Interest on Capital and Loans.
- (b) Income Tax.
- (c) Partners' Salaries.
- (d) Depreciation.

(For further information upon this subject the student is referred to Dicksee's "AUDITING," pp. 310-330.)

Q. 10.—A., B., and C. carry on the business of cloth manufacturers. They take stock annually, and at December 31st 1900, the following is the Trial Balance of their books:—

Land	£4,000	0	0	Cloth Sales	£142,500	0	0
Buildings	31,000	0	0	Waste Sales	2,000	0	0
Machinery, including £1,500 spent in the year	41,500	0	0	Loans from Work- people	3,000	0	0
Discounts	2,350	0	0	Creditors	5,140	0	0
Loan and Bank Interest, &c. ..	345	0	0	A.'s Capital	50,000	0	0
Manchester Expenses	600	0	0	B.'s do.	20,000	0	0
Insurance	700	0	0	C.'s do.	10,000	0	0
Pickers	180	0	0				
Sizing	2,900	0	0				
Coal, Gas, Oil, and Tallow	3,750	0	0				
Ropes and Twine ..	350	0	0				
Leather	1,250	0	0				
Rates and Taxes ..	1,450	0	0				
Stock	17,500	0	0				
Mill Debtors	10	0	0				
Manchester Debtors	1,300	0	0				
A.'s Withdrawals ..	800	0	0				
B.'s do.	500	0	0				
C.'s do.	300	0	0				
Cotton	66,000	0	0				
Carriage	1,750	0	0				
Repairs	2,200	0	0				
Bank	1,000	0	0				
Cash	40	0	0				
Loans to Workpeople	100	0	0				
Gold Plate	900	0	0				
Bobbins	80	0	0				
Healds, Reeds, Shuttles, Cards, and Brushes	565	0	0				
Office and Sundries ..	820	0	0				
Yarn Purchased ..	5,300	0	0				
Weaving Wages ..	23,700	0	0				
Winding	5,000	0	0				
Spinning	12,450	0	0				
Expenses	1,950	0	0				
	<u>£232,640</u>	<u>0</u>	<u>0</u>		<u>£232,640</u>	<u>0</u>	<u>0</u>

The Stock on December 31st 1900 amounted to £18,000.

Prepare Trading and Profit and Loss Accounts, writing off 2 per cent. from Buildings, 5 per cent. from Machinery, and $2\frac{1}{2}$ per cent. from Manchester Debtors and from Creditors, charging Partners' Salaries at the rate of £1,000, £600, and £400 of A., B., and C. respectively, allowing interest upon Capital at 5 per cent., but not charging on withdrawals, and allowing £150 for unexpired Insurance, and £300 for rates paid in advance.

Distribute the Profit or Loss to A., B., and C. in the proportions of $\frac{3}{8}$ ths, $\frac{1}{4}$ th, and $\frac{3}{8}$ ths respectively, and prepare Balance Sheet.

<i>Liabilities.</i>				<i>Assets.</i>			
Capital Accounts, viz. :—				Land			
A., Bal. 1/1/00	50,000	0	0	Buildings	..	..	..
Interest ..	2,500	0	0	Less Depreciation	..	..	..
Salary ..	1,000	0	0	Machinery	..	..	..
Share of				Add additions	..	..	..
Profits	1,401	12	0	Less Depreciation	..	..	..
Less Drawings	800	0	0	Stock in Trade	..	..	..
	54,901	12	0	Manchester Debtors	..	..	..
B., Bal. 1/1/00	20,000	0	0	Less Discount	..	..	..
Interest ..	1,000	0	0	Mill Debtors	..	..	..
Salary ..	600	0	0	Loans to Workpeople	..	..	..
Share of				Rates and Insurance paid	..	..	..
Profits	584	0	0	in advance	..	..	..
Less Drawings	500	0	0	Cash :—at Bank	..	..	..
	22,184	0	0	in hand	..	..	..
C., Bal. 1/1/00	10,000	0	0				
Interest ..	500	0	0				
Salary ..	400	0	0				
Share of							
Profits ..	350	8	0				
Less Drawings	300	0	0				
	11,250	8	0				
Creditors							
Less Discounts							
Loans from Workpeople							

AUDITING.

Q. 1.—Criticise the following Balance Sheet. State what improvements you would suggest, and your reasons for them.

BANK OF NEW ENGLAND, LIM.

<i>Liabilities.</i>				£	s	d
Capital	..	..	..	2,000,000	0	0
£3,000,000 in 100,000 shares of £30 each, on which £20 per share has been paid up.						
Reserve Fund	..	..	..	500,000	0	0
Notes in Circulation	..	..	..	522,750	0	0
Bills Payable	..	..	..	770,347	0	0
Deposit and Current Accounts	..	..	..	8,473,421	0	0
Other Liabilities..	..	..	..	114,214	0	0
Profit and Loss	..	..	..	53,148	0	0
				<u>£12,433,880</u>	<u>0</u>	<u>0</u>

Assets.

Coin and Cash Balances with Bankers..	..	..	1,303,756	0	0
Bullion in Hand and in Transit	..	..	173,770	0	0
Money at Call and Short Notice, Bills Receivable, Government Securities, and other Securities in London, &c.	..	..	2,667,636	0	0
Investments in the Colonies, viz. :—					
Colonial Government Securities	..	£878,432	0	0	
Municipal Securities	..	119,953	0	0	
Other Securities	..	266,201	0	0	
			<u>1,264,586</u>	<u>0</u>	<u>0</u>
Bills Discounted	..	..	2,276,421	0	0
Other Advances and Securities and Debts, &c., due to the Bank	..	..	3,975,489	0	0
Landed Property, Premises, &c.	..	..	772,222	0	0
			<u>£12,433,880</u>	<u>0</u>	<u>0</u>

A. 1.—Many points might, of course, arise that are not apparent from a perusal of the mere figures stated in the question, but *prima facie* the Balance Sheet is defective in not sufficiently separating the various items to enable the actual

position of the company to be accurately gauged. For example, on the liabilities' side, Deposit Accounts and Current Accounts should be separated; upon the assets' side, the third item should be subdivided as follows:—

- (a) Money at Call and short notice.
- (b) Bills Receivable.
- (c) British Government Securities.
- (d) Foreign Government Securities.
- (e) Other Securities in London, which (if of large amounts) might require further analysis.

It is desirable that the Bills Receivable should be subdivided so as to show those maturing in three months or less, and those maturing in upwards of three months respectively.

An important omission is that of Rebate on Current Bills, which should appear upon the liabilities' side of the Balance Sheet, and will presumably reduce the balance of Profit and Loss Account.

The Balance Sheet, of course, requires dating.

Q. 2.—Assuming the result of the accounts to be accurate, but that the Directors of the Bank of New England, Lim., decline to adopt any improvement suggested by you in the form of the Balance Sheet, how would you frame your Certificate and Report, having special regard to the magnitude of the interests involved?

A. 2.—It is not clear what is meant by the words “assuming the result of the accounts to be accurate”; but if it means that the figures are all correct, and exception can only be taken to the manner in which they are grouped, the most serious objection referred to in the previous answer—namely, the omission to provide for a Rebate on Current Bills—is overcome. The question then resolves itself into one of the actual importance of the points of difference between the directors and the auditor. The

latter would not be justified in certifying that all his requirements had not been complied with, merely because the directors did not see their way to adopt all his suggestions with regard to the *form* of the published accounts. It is thought that—unless there is something seriously the matter, which would make it the duty of the auditor to apprise all persons who have access to the printed Balance Sheet that it did not properly disclose the position of affairs—the Certificate should be to the following effect:—

“In accordance with Section 23 of the Companies Act, 1900, I have audited the accounts of the Bank of New England, Lim., and reported thereon to the shareholders under this date. I certify that all my requirements as auditor have been complied with.”

If, however, the points of difference are of sufficient importance to justify so extreme a step, the Certificate should read as follows:—

“In accordance with Section 23 of the Companies Act, 1900, I certify that all my requirements as auditor have not been complied with. Full particulars of the instances of non-compliance are contained in my Report to the shareholders of this date.”

The Report to the shareholders should in all cases be a separate document, and should deal not merely with the Balance Sheet, but also with the accounts as a whole, and especially with the Profit and Loss Account—and, in the case of a commercial undertaking, the Trading (or Manufacturing) Account. It should draw attention to any points which the auditor considers it desirable that the shareholders should know, and which are not fully set forth upon the face of the published accounts. In particular, attention should be drawn to any items which the auditor has been unable to verify, owing, for example, to the absence of vouchers or the non-production of title deeds, and unless the auditor is prepared to accept full responsibility for the valuation

of all floating assets and the sufficiency of the provision made for depreciation, bad debts, &c., he should state with whom the responsibility rests, and that he personally accepts none in connection with the matter. The report should conclude with an expression of opinion that, subject to the foregoing considerations, the accounts are correct, and the Balance Sheet is properly drawn up so as to show the true position of the company, as shown by the books, and as at the date thereof. If, however, the qualifications before-mentioned are numerous, the auditor should state that, for the reasons already given, he is "unable to express the opinion," &c.

The articles of association of some companies contain special clauses in connection with the accounts and audit. These, where supplemental to, and not in contradiction of, the Companies Acts, must, of course, be attended to. It is submitted, however, that when the articles state that the auditor shall "report to the shareholders" upon any particular point, the reference should be made in the Report and not in the Certificate; and it is further submitted that where articles of association require the auditor's Report to be printed at the foot of the Balance Sheet, the clause is no longer operative, as being in contradiction to the terms of Section 23 of the 1900 Act. The directors, however, have, of course, power to print the auditor's Report, if they think fit.

Q. 3.—A Finance Company, with sufficient powers, has the following speculative transactions open on the Stock Exchange at the date of its Balance Sheet, December 31st 1900:—

Bought for January 14th 1901.

1,000 Rio Tinto Shares @	47½
2,000 Anaconda Copper Shares @	7½
500 De Beers Shares @	38

Sold for January 14th 1901.

1,000 Le Roi Mining Shares @	5
200 Ashanti Gold Field Shares @	25½

The Company does not possess any of the securities they have sold, and therefore cannot deliver them.

How should the liability attaching to these transactions be stated?

A. 3.—As the transactions are apparently not *ultra vires*, the only point that has to be considered is that the accounts must provide for any liability, in respect of these as in respect of all other transactions that may have been undertaken. On the 31st December 1900 there is an absolute liability in respect of differences, *plus* all charges to date, and there may also be a contingent liability of a much larger amount. The auditor should draw the directors' attention to the necessity of including the absolute liability in the accounts, and stating upon the face of the Balance Sheet the existence and probable extent of the contingent liability. If they omit to do this, he should not certify that all his requirements as auditor have been complied with. In any event, his Report should draw attention to the existence of these open bargains, and he should state therein whether (a) he considers the directors' estimate of the liability (both certain and contingent) a reasonable one ; (b) if he considers it unreasonable, the further amount that should, in his opinion, be provided, or whether, under all circumstances, he finds it impossible to express any opinion as to the extent of the liability involved.

Q. 4.—Is it part of an Auditor's duty to verify the correctness of the share books of the company, and should his audit extend to the share and debenture transfers, the Register of Mortgages, and the Register of Directors ? State the reasons for your answer.

A. 4.—In the absence of special provisions in the company's articles of association, the auditor's liability is limited to the verification of the Balance Sheet and the accounts supplemental thereto. The verification of the Balance Sheet, of course, necessitates the verification of the original issue of shares and debentures, and of the moneys received in payment thereof ; but it does not include the verification of subsequent transfers, which in no way affect the financial position of the company. As, however, several instances of somewhat extensive frauds have transpired in connection with transfers, it is desirable that the

auditor should include their verification as part of his audit, arranging, of course, for a correspondingly increased fee to cover the additional work involved. Where such additional fee cannot be arranged for, it would be well for the auditor to mention in his Report that he has not checked the transfers, and accordingly disclaims all responsibility for the accuracy of their record.

Q. 5.—How would you state, and upon what grounds, the Abstract of Receipts and Payments required by Section 12, Sub-section (c), of the Companies Act, 1900, for inclusion in the directors' report of a newly registered manufacturing Company? The books of the Company show the following:—

Receipts.

On Allotment of 50,000 Shares of £10 each	£197,000
Proceeds of Sale of old Building Material removed from Freehold ..	1,742
Advance on Mortgage	47,000
Received in respect of Allotment of Debenture Stock (75 per cent. of £100,000)	75,000

Payments.

Purchase of Freehold	205,000
Paid Builders on Account	12,600
Paid for Stock in Bond.. .. .	24,850
Paid Salaries	247
Office and Petty Cash Expenses	147
Preliminary Expenses to date	2,471

A. 5.—The sub-section referred to requires a return of the receipts and payments of the company on Capital Account. Opinions are divided as to whether loan capital, &c., should be included, but it is thought that it should be, as the account asked for is doubtless that required to be kept by railways, gas companies, &c., and, if so, should, of course, be kept upon the same lines. Moreover, so long as the items are separately stated, there can be no possible harm in giving *too much* information, whereas there are, of course, obvious objections to less information being given than the Act requires.

It is thought, therefore, that the account should be prepared in the following form :—

Particulars of Receipts.			Particulars of Payments.		
	£	s d		£	s d
On allotment of 50,000 Shares of £10 each	137,000	0 0	Purchase of Freehold	205,000	0 0
Sale of old Building Materials removed from Freehold ..	1,742	0 0	Builders, on Account	12,600	0 0
Advance on Mortgage	47,000	0 0	Preliminary Expenses	2,471	0 0
On allotment of £100,000 Debenture Stock	75,000	0 0			
	<u>£260,742</u>	<u>0 0</u>		<u>£220,071</u>	<u>0 0</u>

Q. 6.—State briefly the arguments for and against Reserves not disclosed or referred to in accounts issued to shareholders of a Bank.

A. 6.—Stated briefly, the arguments are as follow :—

FOR :—

Unexpected losses can be met without reducing either the dividend for the current period, or the amount of Reserve appearing on the published accounts. This circumstance has a very reassuring effect if it becomes known that losses have been sustained, and in consequence speculation is rife as to the effect that these losses will have upon the financial position of the undertaking and upon the next dividend to be declared.

AGAINST :—

The accounts do not fully disclose the position, and cannot be said to be strictly accurate. The fact that losses can be made, perhaps without even disclosing the fact that they have been incurred, may possibly tend towards carelessness in administration. In an extreme case there may be a tendency to overdo the secret reserve—that is, to *overfavourably* state the financial position in exceptionally unfavourable times, trusting to future profits to restore the *status quo*.

Q. 7.—What records would you make in your Audit Notes in the course of the audit of—

- (a) An Investment Company's Accounts?
- (b) The accounts of a private firm having houses in London, Buenos Ayres, and New York?

A. 7.—It is to be assumed that in all cases the audit notes would contain full records of the work done and of all queries arising in the course of the investigation. A very suitable form of Note Book for this purpose is the "Audit Note Book, No. 3," published by Messrs. Gee & Co., which (in addition to the foregoing) provides space for the Trial Balance, Balance Sheet, &c., to be written in to the Audit Note Book itself.

Beyond these points the following would arise in the cases cited :—

(a) Notes as to the principle of valuation adopted, and as to the method of apportioning accruing dividend between capital and income whenever investments are bought or sold. There would also be a record that proof of the existence of the various investments disclosed in the Balance Sheet had been produced.

(b) Full particulars would be noted of the manner in which the currency items were converted into sterling, and in connection with the rates of exchange ruling from time to time. Copies should be obtained of the several Trial Balances, and also full particulars of the manner in which the figures are amalgamated, and the items in transit (1) verified and (2) incorporated in the final accounts.

(For further information upon this subject the student is referred to Dicksee's "AUDITING," pp. 1-7.)

Q. 8.—You are auditing the books of an English Company trading in Peru for the year ending December 31st 1900. Copies of the Currency Accounts are kept in London. At the beginning of the year the Peru Office Account in the London Ledger was in debit an amount equivalent to the sterling value of the assets in Peru less

the liabilities, converted at the rate of exchange with London ruling in Peru on January 1st 1900—viz., 24d. in exchange for the Peruvian dollar or Sol. The account is debited with Cash and Stores sent to Peru during the year, and is also debited on December 31st with the profit made during the year in Peru, taking the value of the dollar, or Sol, to be the average of the quotations in Peru at the end of each month in the year. In the Peruvian books London was credited with the exact currency the remittances produced and with the sterling invoice value of the stores converted at the rate of exchange ruling at the date of their receipt in Peru. The result of the trading in Peru was also credited to London in the Peruvian books. At December 31st the exchange had risen to $24\frac{9}{16}$ d. the dollar, or Sol, and, in order to make the sterling balance to the debit of Peru in the London books agree with the value of the assets in Peru, less the liabilities, converted at this rate of exchange, an adjusting entry was put through the London books, debiting Peru and crediting Exchange Account with an adjusting amount.

What steps would you take to prove the accuracy of the entry?

A. 8.—So far as can be gathered from the somewhat involved description of the system employed, it would appear to be a very undesirable one, which does not lend itself to any convenient means of verification. The items would therefore have to be carefully checked in detail and the final Difference in Exchange written-off, allocated to the various causes that have contributed to it. The Balance Sheet figures can, however, readily be verified. The fixed assets should be regarded as assets alone, and their value in sterling at which they are included in the accounts should be capable of justification upon that basis; while the floating assets and liabilities should be included in the final accounts at the rate of exchange ruling at the date of the Balance Sheet, unless that rate is unduly favourable, in which event a more cautious basis should be taken.

Q. 9.—Referring to the foregoing question, how would you deal with the Peruvian Account in the Balance Sheet of the English Company?

A. 9.—After adjustment, the Peruvian Account should show as a balance the difference between the assets and liabilities in Peru, or (if the fixed assets appear on a separate account, which is always desirable) the difference between the floating assets and liabilities. It is convenient that these should be brought down as *two* balances, upon the debit and credit sides, representing the assets and liabilities respectively. These assets and liabilities will be included in the accounts under their respective headings, but the Peruvian items would in each case be separately shown in an inner column. Probably, also, a supplemental "Peruvian Balance Sheet" would be included in the published accounts.

It is important to remember that at any given date the balance of the London Account in the Peruvian books would not agree with the balance of the Peruvian Account in the London books, as there would doubtless be various items in transit upon both sides. These items would have to be gone into in detail, and, so far as necessary, brought into the final Balance Sheet, so that it may show the actual liabilities and assets in existence upon that date. It is not convenient, however, to make adjusting entries in the Peruvian Account itself, as they will, of course, require to be recorded later on in due course when full advice is received.

Q. 10.—Take any two of the following cases and state what evidence you would require to support the stock-taking results shown in the Balance Sheet of:—

- (a) A Wine and Spirit Merchant with Stock in cellar and in Bond.
- (b) A Refiner of Precious Metals.

- (c) A Merchant trading with Australia having Stock out on Consignment.
- (d) A Brewer with Licensed - houses in hand under management.
- (e) A Tobacco and Cigar Merchant with Goods in Bond.
- (f) An Ironfounder.
- (g) A Tanner.

State what tests you would apply in each of the two cases selected.

A. 10.—Assuming that in each case no ground for suspicion arises, the following evidence would be sufficient:—

- (a) Certified inventory of gauger, supported by entries in Stock Books.
- (b) Certified inventory of Stock, supported by Stock Books.
- (c) The Consignment Accounts, supported by the Account Sales and Accounts Current from Consignee.
- (d) Certified Stock Sheets, signed by Manager and countersigned by Inspector from Brewery.
- (e) Certified Stock Sheets, supported by Stock Books.
- (f) Certified Stock Sheets, supported by comparison with Stores Accounts.
- (g) Certified inventory, supported by records in Cost Books for work in progress, and by Stock Books for completed goods.

In each case the auditor would test the clerical accuracy of at least a portion of the calculations, comparing a selected number of the items with the Stock Books kept from day to day (where such Stock Books are kept), and carefully examining into the probability of the results shown by comparing the percentage of Gross Profit with that earned upon previous occasions, making due allowance for all known variations of circumstances.

BOOKKEEPING AND ACCOUNTS

(INCLUDING EXECUTORSHIP ACCOUNTS).

Q. 1.—State briefly what you consider to be the principal points to be observed in compiling a system of Bookkeeping for a manufacturing concern.

A. 1.—Briefly, the principal points to be considered are that the books should be so designed as to readily afford, not merely full information as to the position of the undertaking as a whole, and in relation to all persons with whom it transacts business, but also such information as will enable those responsible for its management to have detailed information (in the form most useful to them) as to the actual results that are being achieved, and how they are brought about. In a manufacturing business of any importance proper Cost Accounts are kept, and it is best that these should be quite independent of the financial books, in order that they may to some extent be a check upon their accuracy.

Q. 2.—On December 31st 1900 the Trial Balance of the books of the A. B. Company, Lim., after adjustment, was as follows:—

	£	s	d		£	s	d
Furniture and Plant ..	6,174	0	0	Capital	38,384	0	0
Stock	14,805	0	0	Creditors:—			
Debtors	3,884	0	0	Unsecured	24,082	0	0
" for rent.. ..	28	0	0	Preferential—			
Calls in arrear	216	0	0	For Wages, Rents,			
Cash	340	0	0	Rates, and Taxes	1,716	0	0
Goodwill	9,642	0	0				
Preliminary Expenses ..	2,296	0	0				
Leasehold Premises ..	4,224	0	0				
Profit and Loss	18,523	0	0				
	<u>£59,132</u>	<u>0</u>	<u>0</u>		<u>£59,132</u>	<u>0</u>	<u>0</u>

The financial position being unsatisfactory, you are required to compile a comprehensive Statement of Affairs to submit to a meeting of creditors, and are given the following additional information :—

- (a) The contingent liability (not included in the above) in respect of the unexpired period of the lease is estimated at £2,400.
- (b) Valuations of the following have been obtained, in view of a sale, either as a going concern or by auction :—

		Going Concern	Breaking-up
Stock	.. ..	£9,536 0 0	£7,200 0 0
Furniture and Plant	.. ..	5,370 0 0	3,600 0 0
Goodwill	.. ..	4,000 0 0	—
Leasehold Premises	.. ..	500 0 0	—
Debtors	.. ..	3,069 0 0	2,800 0 0

A. 2.—As the following question suggests an arrangement with creditors and a reconstruction, it is to be assumed that the probability of a reconstruction will be taken into account when framing the Statement of Affairs. That being so, the valuation of the assets on the basis of a going concern would be the proper one to employ in the Statement of Affairs. As a matter of fact, creditors are less disposed to accept a composition when they think that an unduly pessimistic view of the position is being taken, so that, even as a matter of expediency, it would be best not to state the values too low.

The Statement of Affairs might therefore take the following form :—

A. 2.—

STATEMENT OF AFFAIRS, 31st December 1900.

<i>Liabilities.</i>	£	s	d	£	s	d	<i>Assets.</i>	Book Value.	Estimated at		
Unsecured Creditors	..			24,082	0	0	Cash	340	0	0	
Preferential Creditors (deducted <i>per contra</i>)	1,716	0	0				Furniture and Plant ..	6,174	0	0	
							Stock	14,305	0	0	
Contingent Liability in respect of unexpired period of lease	2,400	0	0				Debtors	3,384	0	0	
							Debtors for Rent ..	28	0	0	
							Leasehold Premises ..	4,224	0	0	
							Goodwill	9,642	0	0	
							Calls in arrear	216	0	0	
							<i>Less Preferential Creditors ..</i>	£38,313	0	0	
									£23,059	0	0
									1,716	0	0
							Deficiency		21,343	0	0
									2,739	0	0
									£24,082	0	0

Q. 3.—The Liquidator of the A. B. Company, Lim., prepared a scheme of reconstruction based on the book values as at December 31st 1900 (particulars of which are set out in the preceding question) which was submitted to and approved by Shareholders and Creditors. Dates may be disregarded.

The following is an outline of the Reconstruction Scheme adopted :—

- (a) New Company to be formed under the style of The A. B. Company, 1901, Lim., and to acquire the assets and goodwill of the old Company on the basis of the book values.
- (b) Nominal Capital, £50,000, viz. :—Ordinary Shares, 33,332, at 10s., £16,666; Preference Shares, 33,334, at £1, £33,334.
- (c) For each share in the old Company the holders to apply for one £1 Preference Share in the new Company, and to receive also (as nearly as possible) one Ordinary Share, credited as fully paid.

N.B.—33,334 Preference Shares were allotted and paid for, and 33,332 Ordinary Shares were distributed.

- (d) Unsecured creditors of the old Company have offered to them a composition of 10s. in the £, payable on the formation of the new Company, or a debenture for the full amount of their debts bearing interest at 5 per cent., and repayable in ten years. One half in value accepted the cash composition, the other half agreed to take debentures.
- (e) The lease of the premises to be taken over by the new Company with the consent of the Landlord.
- (f) The liquidation and standing charges, amounting to £500, and all other preferential claims to be satisfied by the new Company, to whom the Liquidator will hand over all assets, none of which, with the exception of the calls in arrear (which have been paid), it is to be assumed have been realised.

You are requested to draft the Journal entries necessary to open the books of the new Company and record the allotment of capital; and to compile a Balance Sheet setting forth the position as at the date of the allotment of shares.

A. 3.—

JOURNAL 1901.

	£	s	d	£	s	d
(a) Furniture and Plant	6,174	0	0			
Stock	14,305	0	0			
Debtors	3,384	0	0			
Debtors for Rent	28	0	0			
Calls in Arrear	216	0	0			
Cash	340	0	0			
Goodwill	9,642	0	0			
Leasehold Premises	4,224	0	0			
To Liquidator A. B. Co., Lim.	..			38,313	0	0
(c) Liquidator A. B. Co., Lim.	16,666	0	0			
To Ordinary Share Capital	..			16,666	0	0
(33,332 Shares of 10s. each, issued as fully paid.)						
(c) Sundry Shareholders	33,334	0	0			
To Preference Share Capital	..			33,334	0	0
(33,334 Shares of £1 each.)						
(c) Cash	33,334	0	0			
To Sundry Shareholders	..			33,334	0	0
(d) Liquidator A. B. Co., Lim.	18,061	10	0			
To Cash	..			6,020	10	0
„ 5% Debentures	..			12,041	0	0
(To provide for settlement with Creditors of old Company.)						
(f) Liquidator A. B. Co., Lim.	2,216	0	0			
To Cash	..			2,216	0	0
(To provide for Liquidation Expenses and Payment of Preferential Creditors of old Company.)						
(f) Liquidator A. B. Co., Lim.	1,369	10	0			
To Goodwill	..			1,369	10	0
(Difference between book value of property acquired and purchase consideration written off Goodwill Account.)						
(f) Cash	216	0	0			
To Calls in Arrear	..			216	0	0

A. 3.—(continued).

BALANCE SHEET.

<i>Liabilities.</i>		£ s d		<i>Assets.</i>		£ s d	
Nominal Capital (in 33,332 Ordinary shares of 10s. each, and 33,334 Preference shares of £1 each)		50,000 0 0		Goodwill		8,272 10 0	
Subscribed Capital :—				Leasehold Premises		4,224 0 0	
33,332 Ordinary shares of 10s. each		16,666 0 0		Furniture and Plant		6,174 0 0	
33,334 Preference shares of £1 each		33,334 0 0		Stock-in-Trade		14,305 0 0	
Five per cent. Debentures ..		..		Sundry Debtors		3,384 0 0	
				Debtors for Rent		28 0 0	
				Cash		25,653 10 0	
		50,000 0 0					
		12,041 0 0					
		£62,041 0 0				£62,041 0 0	

Q. 4.—The Directors of the Patent Rights Company, Lim., issue Debentures at a discount. Describe the entries necessary to record the transaction in the books, and state how the items would appear in the Balance Sheet, assuming the Debentures to be repayable in 15 years.

A. 4.—The best way would be to credit Debentures Account with the full face-value of the debentures issued, and to debit the difference to a Suspense Account headed “Cost of Debenture Issue” or “Discount on Debentures Issued.” The debit balance of this account represents the loss that will have to be made good in the course of the fifteen years: one-fifteenth should therefore be charged against the profits of each year’s trading. The balance of the Suspense Account, which will appear upon the assets’ side of the Balance Sheet, is thus reduced in amount each year, until at the end of the fifteen years (when the debentures mature) it has been entirely eliminated.

Q. 5.—

JONES & CO., BREWERS.

TRIAL BALANCE at December 31st 1900.

				£	s	d	£	s	d	£	s	d
Agents' Commission	..	..					1,000	0	0			
Sales—												
Ale	..	..	..	..	37,304	0	0					
Malt	..	..	..	..	1,054	0	0					
										38,358	0	0
Purchases—												
Hops	..	..	..	..	1,096	0	0					
Malt	..	..	..	..	6,490	0	0					
Barley	..	..	..	..	3,160	0	0					
Sugar	..	..	..	..	560	0	0					
							11,306	0	0			
Debtors	..	..	..	..			3,178	0	0			
Loans	..	..	..	..			2,000	0	0			
Stock, January 1st 1900	..	..					3,760	0	0			
Creditors	..	..	..	..						2,789	0	0

	£	s	d	£	s	d	£	s
Capital—								
Jones	15,200	0	0					
Brown	15,200	0	0					
Smith	12,300	0	0					
							42,700	0 0
Plant				2,780	0	0		
Bills Receivable				4,070	0	0		
Lager Beer (consignment from Hamburg)				600	0	0		
Cash				186	0	0		
Duties				1,000	0	0		
Trade Expenses				1,133	0	0		
Rents, Rates, and Taxes.. .. .				2,512	0	0		
Coal				793	0	0		
Wages				5,730	0	0		
Repairs, Alterations, and Improvements				3,732	0	0		
Discount Allowed				6,741	0	0		
Bankers				4,000	0	0		
Bad Debt written off				749	0	0		
Casks—Stock				2,000	0	0		
Machinery				12,467	0	0		
Buildings				14,160	0	0		
				<u>£83,847</u>	<u>0</u>	<u>0</u>	<u>£83,847</u>	<u>0 0</u>

The stock on December 31st 1900 is valued at £4,960.

Allow 10 per cent. depreciation off plant, machinery, casks.
Provide for a discount of 10 per cent. to be allowed on trade debts due from customers.

Credit partners with interest at 5 per cent. on capital for the year ended December 31st 1900.

Divide profits amongst partners in equal proportions.

Of the amount for repairs, &c., the sum of £3,000 is estimated as the value of improvements and expenditure on structural alterations.

Compile Trading and Profit and Loss Accounts for the year ended December 31st 1900, and Balance Sheet at that date, showing the Partners' Accounts in detail.

A. 5.—(continued).

TRADING ACCOUNT for the year ended 31st December 1900.										Cr.	
Dr.		£		s		d		£		s	d
To Stock, 1st January 1900 ..		..		..		..		37,304		0	0
" Purchases:—		..		..		..		1,054		0	0
Hops		1,096		0		0		..		..	..
Malt		6,490		0		0		..		..	..
Barley		3,160		0		0		..		..	..
Sugar		560		0		0		..		..	..
" Duties		..		..		..		11,306		0	0
" Balance, being Gross Profit		..		..		..		1,000		0	0
transferred to Profit and		..		..		..		..		..	..
Loss Account		..		..		..		27,252		0	0
		£43,318		0		0		£43,318		0	0
								38,358		0	0
								4,960		0	0

A. 5.—(continued).

PROFIT AND LOSS ACCOUNT for the year ended 31st December 1900										Cr.
Dr.	£	s	d	£	s	d	By Gross Profit, as per Trading Account	£	s	d
To Wages	5,730	0	0							
" Discount allowed ..	7,058	16	0							
" Repairs and Alterations ..	732	0	0							27,252 0 0
" Trade Expenses ..	1,133	0	0							
" Agents' Commission ..	1,000	0	0							
" Coals	793	0	0							
" Rents, Rates, and Taxes ..	2,512	0	0							
" Bad Debts	749	0	0							
" Depreciation:—										
Plant	278	0	0							
Machinery	1,246	14	0							
Casks	200	0	0							
				1,724	14	0				
„ Interest on Capital:—										
Jones	760	0	0							
Brown	760	0	0							
Smith	615	0	0							
				2,135	0	0				
„ Balance (being Net Profit for the year):—										
Jones	1,228	3	4							
Brown	1,228	3	4							
Smith	1,228	3	4							
				3,684	10	0				
				£ 27,252	0	0				£ 27,252 0 0

(NOTE: The information given is not sufficiently detailed to allow of proper accounts being prepared.)

Q. 6.—In compiling the Profit and Loss Account and Balance Sheet of a passenger Steamship Company, to what points should a bookkeeper direct special attention ?

A. 6.—The chief points to be borne in mind are the following :—

- (a) The proportion of Insurance to date should be included in the accounts.
- (b) Return Passages paid in advance should be carried forward as a liability, at all events until such time as experience shows that they may be safely written off.
- (c) No credit should be taken for estimated profits upon uncompleted voyages.
- (d) Careful enquiry must be made, with a view to ascertaining that all outstanding liabilities are included.
- (e) Due provision should be made for Depreciation.

Q. 7.—By the Will of a Testator the Executors are empowered to carry on the business of the deceased.

What should be their special care in the event of their deciding to do so, and what are their liabilities ?

A. 7.—In the event of the estate proving insufficient, the executors will be personally liable to the creditors of the business. In the event of the business proving unprofitable they may be held liable to beneficiaries for any loss incurred. Before deciding to continue the business, therefore, they should take steps to satisfy themselves that it is of a profitable nature. Moreover, an authority to continue the business does not as a rule imply an authority to invest more capital therein than was invested in the business at the date of the testator's death. The executors should therefore satisfy themselves that the working capital is sufficient, and see that profits earned are not allowed to accumulate in the business. They should also, of course, be careful to keep full accounts of their trading, which should be quite separate from the ordinary Executorship Accounts.

Q. 8.—In making up the accounts for Executors, how would you deal with :—

- (a) Profits or losses on the realisation of Stocks and Shares ?
- (b) Executorship Expenses ?
- (c) Interest and dividends accruing due, but not received.

A. 8.—(a) Transfer to the debit or credit of Capital Account, as the case may be.

(b) Apportion between Capital and Income according to the nature of the expenses incurred. There is, however, a rule that the expenses of the first year are chargeable against Capital, and those of subsequent years against Income, and generally this rule will suffice for all practical purposes.

(c) These should not be brought into account until received, as the executors are only accountable for them as and when they are received. If, however, the object of making up the accounts is to ascertain the amount due to the representatives of a late life-tenant, and it is certain that the income *will* be received, this rule may be disregarded. Where it is disregarded, the proportions accruing due would be debited to the various Investment accounts, and credited to Income Account, and the share of the late life-tenant credited to his (or her) account and debited to Income Account.

Q. 9.—What is the duty of an Executor as regards the accounts of the property he is bound to administer?

A. 9.—It is the duty of the executor to keep proper accounts, fully recording the administration of the estate, and these accounts may be called for at any time without the executor being entitled to plead the Statute of Limitations. The executor has power to employ an accountant for the purpose of making up his accounts, and to charge the cost thereof against the estate.

Q. 10.—You are instructed by the solicitor to the estate of a deceased person to prepare an Estate Duty Account in order to apply for probate of the will.

Describe your action where the estate consists of—

Stocks, Shares, and Debentures.

Household Goods.

Real and Leasehold Property.

Ships.

Business, in which the Testator was interested as a partner.

A. 10.—(a) These should be included at the “middle” market price of the day. If the securities are quoted *ex div.* the accruing dividend must also be included. If there is no quotation, a letter from the secretary of the company, stating the value of the investment, should be obtained. In all cases it is desirable that a Broker's valuation should be obtained in support of the figures used in the Estate Duty Account.

(b) A Licensed Appraiser should be instructed to value the goods for probate, and his valuation produced in support of the figure adopted. A valuation for probate purposes is considerably less than the actual value of the property.

(c) Full particulars should be given of the rental and assessed values of the property, and (in the case of leaseholds) the unexpired term of the lease. A valuation of the property may be obtained in support of the values set down in the Estate Duty Account, but in many cases this expense is undesirable, as the Inland Revenue authorities make their own valuation upon the data supplied to them, freeholds being generally capitalised at twenty years' purchase of the net annual value, and leaseholds of thirty years and upwards at twelve and sixteen years' purchase.

(d) A valuation by the managing owner should be obtained, which will generally be accepted.

(e) A Balance Sheet, showing the amount of the testator's interest, and signed by the surviving partners, should be produced in support of the figure inserted in the Estate Duty Account.

RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES,
AND RECEIVERS.

Q. 1.—What are the rights and duties of the Voluntary Liquidator of a Limited Company in regard to a Transfer of shares in the Company made after the commencement of the Winding-up and tendered to him for Registration?

A. 1.—Under Section 131 of the Companies Act, 1862, all transfers made after the commencement of the winding-up are void, unless sanctioned by the liquidators. The liquidator has the right to impose terms (*Cleve v. Financial Corporation*, 16 Eq. 363). Such transfer with sanction does not take the transferor out of the list of contributories, for this would effect a change of status which is forbidden by the section.

Q. 2.—What course should be taken by a Liquidator in a winding-up by the Court, who, having admitted the proof of a creditor, subsequently discovers grounds for believing that such proof has been admitted for an excessive amount?

A. 2.—After giving notice to the creditor, the liquidator should apply to the Court, which has power to expunge the proof or reduce its amount. (Companies Winding-up Rules 1890, Rule 112.)

Q. 3.—When and for what purposes may a Liquidator in a winding-up by the Court summon meetings of creditors and contributories, and under what conditions is he bound to do so?

A. 3.—The liquidator may summon general meetings of the creditors or contributories for the purpose of ascertaining their wishes, and must do so at such times as the creditors or contributories by resolution, either at the meeting appointing the

liquidator or otherwise, may direct, or whenever requested in writing to do so by one-tenth in value of the creditors or contributories. (Companies (Winding-up) Act, 1890, Section 23 (2); Rules 1890, Rules 47, *et seq.*)

Q. 4.—What are the considerations that go to uphold or defeat the claim of a trustee in bankruptcy to debts which have been assigned by and goods in the possession of the bankrupt, as being in his order and disposition or reputed ownership?

A. 4.—In the case of debts the failure of the true owner to give notice, when it is possible to do so, is conclusive evidence of the debt remaining in the reputed ownership of the bankrupt. (*Rutter v. Everitt* (1895), 2 Ch. 872.)

In the case of goods almost any possession will support the trustee's claim. There must, however, be consent by the true owner. The following are among the facts affecting the question : —Usage of trade, name on goods, goods sent on sale or return, goods on approval, demand for possession. (See Bankruptcy Act, 1883, Section 44, and "Williams on Bankruptcy," pp. 175, *et seq.*)

Q. 5.—What is the position of the debt of a Bankrupt to his wife for moneys belonging to her Separate Estate lent to him for the purposes of his business, and what difference is there, if any, between this case and that of a Bankrupt Firm which has received a loan from the wife of one of its Partners?

A. 5.—The wife can only prove after all claims of other creditors for valuable consideration in money or money's worth have been satisfied (Married Women's Property Act, 1882, s. 3). Partner's wife may prove in the ordinary way. (*Re Tuff and Nottingham*, 19 Q.B.D. 88.)

Q. 6.—State the provisions that govern the treatment of Interest in relation to Provable Debts as between Creditors and Trustee in Bankruptcy.

A. 6.—On any debt or sum certain whereon interest is not reserved or agreed for, and which is overdue at the date of the receiving order and provable, the creditor may prove for interest at not more than 4 per cent. between the date when the debt became due and the date of the order, if the debt is payable by virtue of a written instrument at a certain time. If payable otherwise, then from the time when a demand in writing is made giving notice that interest will be charged.

Q. 7.—You are Trustee in the Bankruptcy of a Military Tailor and Outfitter, whose personal services seem to you essential in enabling you to carry on the business and dispose of it as a going concern. He is willing to assist, if paid for his work.

Under what conditions can you remunerate him for his services?

A. 7.—Under Section 64 of the Bankruptcy Act, 1883, the trustee, with the sanction of the committee of inspection, may appoint the bankrupt to carry on his trade for the benefit of his creditors, and may make him an allowance for his services. This allowance may be reduced by the Court.

Q. 8.—As Receiver in a Partnership Suit you receive a claim for remuneration from the late Accountants to the Firm for work done in balancing the Books, and preparing statements as to the Partnership Accounts used by the Plaintiff Partner on the hearing of the action at which he obtained the order for Dissolution of Partnership which led to your appointment by consent.

The Accountants state that the Plaintiff explained the circumstances, and instructed them in the name of the Firm.

What are your duties in relation to this claim, and why?

A. 8.—If the costs of the action are to be paid out of the partnership property, the receiver should pay the claim. If no assistance can be got from the order as to costs, he should inquire into the claim; if it prove to be a partnership debt, he should pay it. If not, he should refuse.

Q. 9.—What are the respective positions as to liability for debts incurred in carrying on the business of—

- (a) A Receiver and Manager appointed by the Court in respect of Debentures charged on the whole of the assets and undertaking of a Limited Company?
- (b) A Receiver appointed in respect of similar Debentures by Trustees under a Covering Deed?

A. 9.—(a) The receiver and manager is liable personally, but has a right of indemnity against the assets of the company.

(b) The receiver is the agent either of the company or of the trustees, generally the former. He will only be personally liable if he pledges his own credit.

Q. 10.—You are trustee of a Marriage Settlement. Both the settlors are dead, leaving an only son, aged nine, who is absolutely entitled to the Settlement Funds subject to attaining the age of twenty-one.

Your estate becomes entitled to one moiety of the residuary estate of X. Y. deceased, on the death of its life-tenant; and the Trustees of that estate tender a sum of £5,070, asking for a release in ordinary form on payment.

You find they had made two unauthorised investments, one of which resulted in a profit of £360 and the other in a loss of £150, and that the difference—viz., £210, was paid over to the life-tenant.

- (a) What are your rights and duties, and why?
- (b) How is your own position as Trustee affected if you sign the release and accept the money? State your reasons.

A. 10.—(a) The trustees of the second settlement are entitled to the whole of the profit on the successful investment and also to

have the loss on the other made good with interest. It is their duty to get in this sum.

(b) Signing a release and accepting the money would render the trustee personally liable to his beneficiary. Such a release would not prevent the beneficiary from proceeding against the trustees of the estate of X. Y.

BANKRUPTCY AND COMPANY LAW.

Q. 1.—Within what time must a debtor against whom a Receiving Order has been made submit his statement of affairs? By what process may he be able in case of need to obtain an extension of the time; and what may be the consequences to him of not submitting the statement within the original or extended time?

A. 1.—If the order be made on his own petition, within three days; if on creditor's petition, within seven days from the date of the order (Bankruptcy Act, 1883, Section 16 (2)). An extension of time may be procured either by application to the Court under Section 16, or by written certificate from Official Receiver under Rule 218. If the debtor fail to submit his statement without reasonable excuse, the Court may, under Section 16 (3), adjudge him bankrupt on the application of the Official Receiver or a creditor.

Q. 2.—A foreigner who has committed an act of bankruptcy can only be made a bankrupt in this country in certain circumstances. What are these circumstances?

A. 2.—He must be domiciled in England, or, within a year before the date of the presentation of the petition, must have ordinarily resided or had a dwelling-house or place of business in England. (Bankruptcy Act, 1883, Section 6 (1) (d).)

Q. 3.—What personal disqualifications result to a debtor from bankruptcy, and when do they cease to exist?

A. 3.—(1) Sitting or voting in House of Lords or any committee thereof, or being elected as a representative Peer of Scotland or Ireland.

(2) Being elected to, sitting, or voting in the House of Commons or any committee thereof.

(3) Being appointed to or acting as a Justice of the Peace.

(4) Being elected to, holding, or exercising the office of mayor, alderman, or councillor.

(5) Being elected to, holding, or exercising the office of guardian of the poor, overseer, member of a sanitary authority, or member of a school board, highway board, burial board, or select vestry.

These are by Bankruptcy Act, 1883, Section 32 (1).

(6) By Section 25 (2) of the Municipal Corporations Act, 1882, an elective auditor must be qualified to be a councillor; bankruptcy is, therefore, disqualification for this office,

(7) By Section 9 of the Bankruptcy Act, 1890, a bankrupt is disqualified from holding or executing the office of a member of the County Council; and by Section 46 (c) of the Local Government Act, 1894, a person is disqualified from being elected or being a member or chairman of a council of a parish or of a district other than a borough or of a board of guardians, if he has within five years before his election, or since election, been adjudged bankrupt or made a composition or arrangement with his creditors. This disqualification ceases when the adjudication is annulled or he obtains a certificate (see *infra*), or on payment of his debts in full.

By Section 32 (2) of the Bankruptcy Act, 1883, the above disqualifications shall be removed when and if (1) the adjudication of bankruptcy is annulled; or (2) the bankrupt obtains his discharge with a certificate from the Court that the bankruptcy was caused by misfortune without any misconduct on his part.

By Section 9 of the Bankruptcy Act, 1890, no disqualification shall exceed a period of five years from the date of the discharge.

Q. 4.—What settlements made by a debtor before his bankruptcy will be void against the trustee in the bankruptcy?

A. 4.—Any settlement of property not being a settlement made before and in consideration of marriage, or made in favour of a purchaser or incumbrancer in good faith and for valuable consideration, or a settlement made on or for the wife or children of the settlor of property which has accrued to the settlor after marriage in right of his wife shall, if the settlor becomes bankrupt within two years after the date of the settlement, be void as against the trustee in bankruptcy. If the settlor becomes bankrupt at any subsequent time within ten years after the date of the settlement, it shall be void against the trustee, unless the parties claiming under it can prove that the settlor was at the time of making the settlement able to pay all his debts without the aid of the property comprised in the settlement, and that the interest of the settlor in such property had passed to the trustee of the settlement on the execution thereof. Any covenant or contract made in consideration of marriage for the future settlement on or for the settlor's wife or children of any money or property wherein he had not at the date of his marriage any estate or interest, whether vested or contingent in possession or remainder, and not being money or property of or in the right of his wife, shall, on his becoming bankrupt before the property or money has been actually transferred or paid pursuant to the contract or covenant, be void against the trustee in bankruptcy. (Bankruptcy Act, 1883, Section 47.)

Q. 5.—What two classes of unsecured creditors will be postponed in bankruptcy until after the claims of other unsecured creditors are satisfied?

A. 5.—(1) Persons who have advanced money by way of loan on any such contract as is mentioned in Section 2 of the Partnership Act, 1890. (See Section 3.)

(2) Wives who have advanced money to their husbands for the purposes of his trade. Such money is considered part of the assets of the husband subject to the wife's claim to a dividend

as a creditor after all creditors for valuable consideration have been satisfied. (Married Women's Property Act, 1882, Section 3.)

Q. 6.—The Companies Act, 1900, requires that a prospectus issued by or on behalf of a Company shall contain various specified matters. Enumerate any four of these matters.

A. 6.—Section 10 of the Companies Act, 1900, enacts that any prospectus shall state :—

(1) Contents of memorandum of association ; names, descriptions, and addresses of signatories, number of shares subscribed for by them ; number of founders' or management shares, and the nature and extent of the interest of the holders in the property and profits of the company.

(2) The directors' qualification and remuneration.

(3) Names, descriptions, and addresses of the directors or proposed directors.

(4) The minimum subscription ; the amount payable on application or allotment on each share. In the case of a second or subsequent offer of shares, the amounts previously offered and the amounts allotted, and the amounts paid on such shares.

(5) The numbers and particulars, including consideration, of shares and debentures issued or agreed to be issued as fully or partly paid up, otherwise than in cash.

(6) Names and addresses of vendors of any property to be wholly or partly paid for out of the proceeds of the issue, and the amount payable in cash, shares, or debentures, to each vendor.

(7) The amount paid or payable as purchase-money in cash, shares, or debentures of any such property as mentioned in No. 6, showing the amount payable for goodwill.

(8) The amount of underwriting commission paid or payable.

(9) The amount or estimated amount of the preliminary expenses.

(10) The amount paid or intended to be paid to any promoter, and the consideration.

(11) Dates and parties to any material contract, and reasonable time and place where such contracts (or copies) may be inspected. This does not apply to contracts in the ordinary course of business of company, nor to contracts entered into more than three years before the date of publication of prospectus.

(12) Full particulars of the interest of each director in the property proposed to be acquired, and statement of all sums paid or agreed to be paid to him by any person to qualify him as director, or otherwise for services rendered in connection with the formation of the company.

Q. 7.—How does the law now stand as to the appointment of Auditors of a newly-registered Joint Stock Company? Is there any restriction as to the persons eligible for the office?

A. 7.—The directors may appoint auditors before the statutory meeting, in which case they hold office till the first annual general meeting, unless previously removed by a resolution of the shareholders in general meeting; in the latter event, the shareholders may appoint auditors at that meeting. Directors and officers of the company are not eligible. (Companies Act, 1890, Section 21.)

Q. 8.—What is the exact measure of the liability incurred respectively by members of (a) Companies limited by shares; (b) Companies limited by guarantee; and (c) unlimited Companies?

A. 8.—(a) The amount unpaid upon the members' shares. (b) The amount the member has agreed to contribute in the event of the company being wound up. (c) No limit.

Subject to the following qualifications as to past members :—

(1) They are not liable if they have ceased to be members of the company for one year or more previous to the commencement of the winding-up ; nor for any liability contracted by the company after they ceased to be members ; nor unless the Court is satisfied that the present members are unable to satisfy the contributions required.

Q. 9.—On what points must the Court be satisfied before confirming a special resolution passed under the Companies (Memorandum of Association) Act, 1890, for altering a Company's Memorandum of Association?

A. 9.—(a) That sufficient notice has been given to every holder of debentures of the company, and any persons whose interests will, in the opinion of the Court, be affected by the alteration.

(b) That every creditor who, in the opinion of the Court, is entitled to object, and who signifies his objection in the manner directed by the Court, either has consented to the alteration or that his debt or claim has been discharged or has determined, or has been secured to the satisfaction of the Court. (Companies (Memorandum of Association) Act, 1890, Section 2.)

Q. 10.—State very concisely the powers and duties of the liquidator of a Company that is being wound up compulsorily as regards the examination, admission, and rejection of proofs, including under the last head proofs which have been admitted, but which the liquidator afterwards considers to be open to question.

A. 10.—The liquidator must examine every proof and the grounds of the debt. He must, in writing, admit or reject it in whole or in part. If he reject it, he must state his grounds in writing (110) within twenty-eight days (120).

The creditor may appeal against the decision (111).

If the liquidator thinks that a proof has been improperly admitted the Court may, on his application, after notice to the creditor, expunge or reduce it (112).

For the purpose of his duties in relation to proofs the liquidator may administer oaths and take affidavits (114).

(The references are to the Companies Winding-up Rules, 1890.)

MERCANTILE LAW AND THE LAW OF ARBITRATIONS AND AWARDS.

Q. 1.—How far is the fact that a person shares in the profits of a business conclusive evidence that he is a partner ?

What further evidence, if any, is necessary to determine whether he is a partner or not ?

A. 1.—The receipt of a share of the profits of a business is *prima facie* evidence of partnership, but is not conclusive. To prove a partnership it is necessary to establish that the persons are carrying on a business in common with a view to profit. (See Partnership Act, 1890, Sections 1, 2.)

Q. 2—One person agrees with another to sell to him certain machinery at a valuation to be made by X. What are the rights of the parties to the agreement when X. dies before making the valuation, and (1) the Machinery has not been delivered to the buyer; (2) the Machinery has been delivered to the buyer, and erected and used by him ?

A. 2.—(1) The contract is avoided. (2) The buyer must pay a fair price for the machinery. (Sale of Goods Act, 1893, Section 9.)

Q. 3.—When and how does failure to present a Bill of Exchange for payment affect the rights of the holder ?

A. 3.—If a bill be not presented, the drawer and endorsers are discharged. But delay is excused, if caused by circumstances beyond the control of the holder.

Presentment is dispensed with where :—

(1) After reasonable diligence presentment cannot be effected.

(2) The drawee is a fictitious person.

(3) As regards the drawer, when the drawee or acceptor is not bound, as between himself and the drawer, to accept or pay the bill, and the drawer has no reason to believe that the bill would be paid if presented.

(4) As regards an endorser, when the bill was accepted or made for the accommodation of that endorser, and he has no reason to believe that the bill would be paid if presented.

(5) By waiver express or implied. (Bills of Exchange Act, 1882, Sections 45, 46.)

Q. 4.—How far, if at all, can an agent claim as against his principal the benefit of the Statutes of Limitation?

A. 4.—Under Section 8 of the Trustee Act, 1888, an agent may claim the benefit of the Statutes of Limitation in all cases except where he is sued for property entrusted to him as an agent, or for the proceeds of such property which he has converted to his own use, or where he has been guilty of fraud. In the case of a bribe the principal's action is barred six years after he became aware of the bribe.

Q. 5.—In what cases, if any, is a person about to enter into a Contract bound to communicate to the other party before entering into the Contract material facts known only to the former?

A. 5.—In contracts *uberrimæ fidei*, where one party is presumed not to have the same means of obtaining knowledge as the other. They are :—

- (1) Contracts of Marine, Fire, and Life Insurance.
- (2) Contracts for the Sale of Land.
- (3) Contracts for the Allotment of Shares.

Q. 6.—In considering whether Interest is payable upon a Debt where there is no express Contract to pay it, does it make any, and

what, difference whether the Contract to pay the Debt is written or verbal?

A. 6.—By 3 & 4 Will. IV., c. 42, s. 28, the jury may give a creditor interest on debts payable by some written instrument at a time certain from that time. If payable otherwise, from the date of a notice in writing demanding payment, and stating that interest will be charged.

Q. 7.—A. is the creditor, B. the debtor, and C. the surety. A. agrees with B., C. not being a party to the Agreement, (1) to give B. time to pay the debt; (2) not to sue B. for the debt. Can A. afterwards sue C. successfully in either of these cases, and would it affect your answer in either case if, when A. made the agreement with B., he expressly reserved his (A.'s) rights against C.?

A. 7.—(1) A. cannot sue C., unless he has expressly reserved his rights against C., or unless the giving of time does not affect C's. remedies. (2) If the agreement is a binding one, A. cannot sue C.

Q. 8.—How far is the right of stoppage in transition affected by the Transfer of Bills of Lading? Would the fact that the transferee had not paid the consignee, or that the transfer was by way of security for an advance, affect your answer?

A. 8.—If the transferee takes the bill of lading in good faith and for valuable consideration the vendor's right of stoppage *in transitu* is defeated, if the transfer be by way of sale. There must be valuable consideration, which may be an antecedent debt. If the transfer be by way of pledge or security, the vendor's right of stoppage *in transitu* subsists, subject to the right of the transferee, provided the transferee acted in good faith. If he had notice of the insolvency of the transferor, the transfer is invalid.

Q. 9.—Where a Contract provides for the submission of all Disputes to a named Arbitrator, how far is it open to a party to the Contract to afterwards object to the Arbitration on the ground that circumstances exist, such as to cause a suspicion of bias?

A. 9.—If the circumstances were unknown to one or both of the parties at the time of his appointment as arbitrator, the award may be set aside.

Q. 10. — Is it necessary that a valid award should deal separately with each of the matters referred?

A. 10.—Unless the award does not deal with every matter it is entirely void, but it need not deal with every matter separately so long as it is evident that all have been dealt with.

The

Institute of Chartered Accountants in England and Wales.

List of Successful Candidates

At the EXAMINATIONS held in DECEMBER 1901.

PRELIMINARY EXAMINATION.

(Candidates who obtained a certain number of marks, in Order of Merit)

Name	Where educated
SPARK, F. V., Bishop Auckland (<i>Prize</i>)	King James I. Grammar School, Bishop Auckland
ALBERY, W. J., London	Uppingham School
SMITH, S. H., London	Private Tuition
THOMPSON, G. C., London	Owen's School, Islington, N.
HILL, S. M., Bowden	Bowden College
WOOD, H. V., Huddersfield	Private Tuition
BALL, L. H., Bromsgrove	Bromsgrove School
MORRIS, J. T., Reading	Cranleigh School, Surrey
BUTT, G. C., London	Rugby School

(In alphabetical order)

ACTON, F. R., London	Balham High School
ACTON, S. C., Manchester	Private Tuition
ALDRED, J. W., Manchester	Manchester Grammar School
ALDRIDGE, W. H., London	Camden Road Collegiate School, London
ANDERSON, C., London	Private Tuition
AYRES, G. F., Reading	Reading School

PRELIMINARY EXAMINATION—continued.

(In alphabetical order)

Name	Where educated
BAILEY, J., Belfast	Campbell College, Belfast
BARKER, P. F., Birmingham	Private Tuition
BARNABY, E. W., Sale	Sedburgh School
BARTON, P. S., Manchester	Manchester Grammar School
BELLAMY, R. C., Hull	Kent College, Canterbury
BENNETT, E., London	City of London School
BENTLEY, H., Hull	Private Tuition
BERRY, W. S., Manchester	Manchester Grammar School
BINNS, L. E., Manchester	Private Tuition
BLAYNEY, J. H., Manchester	Private Tuition
BOWEN, L. P., Ludlow	Christ College, Brecon
BRABNER, J. W., London	Queen's Road Higher Grade Board School
BREWSTER, G. S., Bristol	Bristol Grammar School
BRIGHT, N. L., Nottingham	Private Tuition
BROMILY, H., Bolton	Private Tuition
BROWNE, R. M., Redhill	Haileybury College
BULL, W. H., London	Merchant Taylors' School
CARTER, O. H., Norwich	Private Tuition
CHEAL, A. E., London	Private Tuition
CLEMINSON, O. N., Darlington	Private Tuition
COLLINS, A. H., Liscard	Private Tuition
COOPER, J. H., Leicester	Private Tuition
CRADDOCK, P., Wolverhampton	Commercial School, Stratford-on-Avon
CRITCHISON, W., London	Bancroft's Schools, Woodford Wells
DONNITHORNE, W. A., Nottingham	Nottingham High School
DRAKE, D. B., London	Merchant Taylors' School
DUNN, F. J., Warrington	Warrington Grammar School
FISH, F. H., York	Archbishop Holgate's School, York
FORD, J. T., Southsea	Private Tuition
FRANKS, H. E., Whitehaven	Harrogate College
GREEN, M., Sheffield	Private Tuition
GREENWOOD, H., Bradford	Private Tuition
GYLES, G. F., London	Private Tuition
HALL, T. W., Bexley Heath	Private Tuition
HARDWICKE, F. H., Stoke-on-Trent	Private Tuition

PRELIMINARY EXAMINATION—*continued.*

(In alphabetical order)

Name	Where educated
HIGGS, R. D., Hayward's Heath	University School, Hastings
HODGSON, W. S., Manchester	Private Tuition
HUNT, G., Manchester	Manchester Grammar School
JARVIS, A. R., London	Private Tuition
JONES, H., Leeds	Leeds Central Higher Grade School
LOCKING, R. N., Hessle, E. Yorks	Hymer's College, Hull
MALEHAM, E. H., Sheffield	Private Tuition
MARTIN, H., Redhill	Whitgift Grammar School
MAY, O. H., London	Owen's School, Islington, N.
MILLEDGE, A. C. S., London	Merchant Taylors' School
MILLER, H., Newcastle-upon-Tyne	Royal Grammar School, Newcastle-upon-Tyne
MOLYNEUX, C. H., London	Private Tuition
MOORHOUSE, H., Manchester	Private Tuition
MORGAN, A. B., Woodford Green	Private Tuition
NOEL, A. S., Woodford	Bancroft's School (Drapers' Company)
NORMAN, J. R., Birmingham	Bishop Vesey's Grammar School Sutton Coldfield
ORFORD, E. C., Birkenhead	St. Francis Xavier's College, Liverpool
PATTERSON, H. A., Blundellsands	Private Tuition
PATTINSON, I. G., Carlisle	Private Tuition
PEET, W. S., Southport	Private Tuition
PERKINS, F., London	Godolphin School, Hammersmith
PHIPP, P., London	Private Tuition
PICKUP, C., Bacup	Private Tuition
REECE, C. D. S., London	Mercers' School
REVELL, F. E., Huddersfield	Private Tuition
ROBERTS, H. D., Cardiff	St. Mary's Hall School, Cardiff
RULE, R., Southport	Merchant Taylors' School, Crosby, near Liverpool
SAMSON, B., Birmingham	King Edward's High School
SANSOM, H., Darlington	Private Tuition
SCHOFIELD, J. C., Manchester	Chorlton Grammar School
SMEDLEY, C. E., Richmond, Surrey	Private Tuition
SMITH, H. S., Olton, near Birmingham	Private Tuition
STEINBERG, N. W., Southport	Private Tuition

PRELIMINARY EXAMINATION—continued.

(In alphabetical order)

Name	Where educated
STOTT, H., Wilmslow	Private Tuition
SYKES, C. H., Stalybridge	Rossall School
SYKES, W. E., Huddersfield	Private Tuition
TAYLOR, S. G., London	Private Tuition
THOMPSON, F. S., Birmingham	Rugby School
TUBBS, E. J., London	City of London School
WEATHERLEY, H. C., London	St. Anne's School, Redhill
WELCH, A., Sevenoaks	Sevenoaks School
WHELOCK, P., Birmingham	Private Tuition
WHITING, C. H., Hornsea, E. Yorks.	Brampton House School, Hornsea
WILLIAMS, W. A., Birmingham	Private Tuition
WOODRUFF, J. F., London	Private Tuition
WOODTHORPE, P., London	Private Tuition
WOOLLEY, F. A., Birmingham	Private Tuition
WOOLLEY, N., Manchester	Private Tuition
YOUELS, J. A., London	Longford School, Margate
YOUNG, J. E., Manchester	Manchester Grammar School

66 Candidates failed to satisfy the Committee.**INTERMEDIATE EXAMINATION.**

(Candidates who obtained a certain number of marks, in Order of Merit)

SMITH, S. G. (*Prize*) (Robert Warner), London
 RICHARDS, P. P. (C. Rogers), Nottingham
 HANSFORD, G. L. (J. J. Graham), Manchester
 SUDWORTH, E. (J. H. Bayley), Manchester
 HASHIM, A. G. (T. W. Handley), Manchester
 TAYLOR, R. C. (A. White), London
 SAVAGE, S. E. H. (T. S. Wederell), London
 ROBERTSON, J. A. (A. H. P. Stoneham), London
 SHARP, W. D. C. (J. Watson, Junr.), Carlisle
 GOWAR, H. M. (A. Taylor), London
 FOX, G. P. (D. Forde), London

INTERMEDIATE EXAMINATION—*continued.*

Candidates who obtained a certain number of marks, in Order of Merit)

MAHON, H. G. (B. Howorth), Liverpool
 LAWRENCE, E. R. (C. J. March), London
 { CALVERT, L. P. (T. G. Mellors), Nottingham
 { THEOBALD, G. O. (J. M. R. Francis), London
 NOAD, P. K. (J. Whitehill), Birmingham
 STONES, F. D. (D. Sibbald), Derby
 { EDWARDS, G. C. (W. C. Jackson), London
 { KIDSON, B. (M. Wilkie), Wolverhampton
 DUNFORD, R. C. (J. M. Winter), Newcastle-upon-Tyne
 { BELL, T. A. (J. Robertson), Manchester
 { WHITEHEAD, H. (G. T. Feasey), London
 { WORTON, J. (W. H. Price), Cardiff
 SKINNER, C. M. (L. L. Samuels), Manchester
 BRIDSON, H. (F. W. Marsh), Liverpool
 MILLIGAN, J. S. (H. Ashford), Birmingham
 COMMON, F. W. C. (F. C. Squance), Sunderland
 WORSLEY, J. (F. Cooper), Manchester
 { DAWSON, R. S. (C. W. Wood), Bradford
 { DIXON, J. H. (J. Annan), London
 { FISHER, E. (T. E. Kimberley), Birmingham
 { HARRISON, G. C. (J. B. Reeves), London
 MILLS, A. W. (R. Wood), London
 REID, P. S. (E. Lintott), London
 BLANE, T. H. (C. E. Riding), Blackpool

(In alphabetical order)

ASHTON, J. H. (S. R. Maw), Manchester
 BAKER, M. B. (A. Page), London
 BALL, K. M. (C. W. Cornish), London
 BANNER, G. B. (G. Banner), Liverpool
 BATE, W. L. (J. Cozens), Bristol
 BLAKE, A. M. H. (W. H. Short), Colchester
 BOULTON, H. (L. T. Smith), Wolverhampton
 BRIDGES, H. G. (W. B. Reeve), London
 CAMERON, C. S. (S. Jude), Liverpool
 CHACE, G. H. (W. A. Slade), London
 CHAPMAN, L. E. (T. H. Chapman), London

INTERMEDIATE EXAMINATION—continued.

(In alphabetical order)

CHRISTMAS, P. H. (E. Lintott), London
CLAY, G. R. (P. Bates), Birmingham
CLAYPOLE, H. M. W. (C. F. Burton), London
CLEGG, J. (G. W. Townend), Goole
COOPER, F. D'A. (C. H. Weatherley), London
COOPER, G. (F. Cooper), Bolton
COX, E. M. (C. A. Harrison), Birmingham
CRAVEN, E. (A. H. Pownall), Manchester
CREER, H. L. (J. W. Close), Leeds
CRITCHLEY, H. S. (F. W. Baber), Bristol
CUNNINGHAM, H. F. (T. Proctor), Burnley
DAVIS, G. W. C. (T. P. Child), London
DERRY, P. F. (D. S. Derry), London
EDGE, R. B. (T. M. Attlee), Birmingham
EDWARDS, C. H. (F. E. M. Beardsall), Manchester
EMBLEY, W. (E. H. Turner), Manchester
FURNESS, J. (F. Holt), Liverpool
GIBSON, H. (L. A. Voisey), Warrington
GILPIN, G. E. (J. Rhodes), Birmingham
GREEN, F. T. (W. H. Nairne), Manchester
GREENSLADE, W. H. W. (A. Goodman), Taunton
HARPER, A. H. (A. C. Harper), London
HASWELL, W. H. (C. G. Haswell), Chester
HEATHCOTE, F. L. (F. J. Heathcote), Birmingham
HIGGS, H. B. (E. M. Rudland), Birmingham
HOLBOROW, W. H. T. (W. V. Jenkins), Bristol
HULL, J. H. E. (R. Mellors), London
HUNTER, W. H. (E. C. Baldwin), Brighton
ICKE, J. T. C. (G. C. T. Parsons), Birmingham
JONES, J. S. (J. West), Liverpool
KIRBY, J. L. (R. A. Smithson), Leeds
KUP, F. A. (C. J. Ford), London
LAWFORD, B. L. (R. R. Preston), Leicester
LEA, T. (A. C. Hutchins), London
LEETE, H. G. (F. J. Warmsley), Chester
LEPINE, C. H. (E. J. Palmer), London
LIGHTBOWN, E. A. (P. Gregson), Manchester

INTERMEDIATE EXAMINATION—*continued.*

(In alphabetical order)

LITTLE, G. (W. B. Reeve), London
LONGLEY, P. (W. Adgie, Junr.), Leeds
LOVELL, W. D. (C. J. Angus), London
LOWRY, R. Y. (T. Witt), London
LUNDIE, K. G. (R. H. March), Cardiff
MONK, A. W. (H. Hackett), Birmingham
MOORE, J. E. (C. S. Nicholson), London
MORRIS, F. S. (W. Denton), Liverpool
NICHOLSON, N. (C. H. Moss), Rotherham
OGDEN, C. P. (E. H. Turner), Manchester
PARMETER, T. P. (A. W. Wyon), London
PAYTON, E. H. (F. H. Haswell), Birmingham
PHIPPS, G. A. (L. F. Goodricke), London
POTTER, P. (H. Hill), Manchester
PRESTON, F. W., (R. R. Preston), Leicester
ROLFE, H. C. (P. E. Metzner), London
RUSH, H. J. (G. H. Nelson), London
SEEBOHM, R. B. (J. E. Grace), Bristol
SHAW, H. (C. E. Bullock), Hanley
SLACK, H. L. (A. E. Carr), Newcastle-upon-Tyne
STEPHENS, J. R. (T. P. Child), London
STOKER, I. N. T. (H. A. H. Cole), London
STOKES, P. C. (S. T. Peirson), Coventry
STONE, P. H. (J. H. Rogers), Birmingham
STOTT, N. A. (J. E. Whitham), Halifax
TERRY, E. A. (J. E. Halliday), Manchester
THOMSON, N. (A. Tongue), Manchester
THWAITE, N., Junr. (P. Bates), Birmingham
TODD, G. F. (W. W. Read), London
VINEY, W. E. (W. J. Ogden), London
WALKER, M. H. (F. Whinney), London
WARD, J. (C. S. Nicholson), London
WARE, C. E. S. (A. L. Hellyer), Bristol
WATCHORN, R. C. (G. S. Bankart), Leicester
WATTS, J. W. (J. A. Carse), Manchester
WEBSTER, C. R. (R. A. Smithson), Leeds
WHITE, J. (F. J. Beckett), Chester

INTERMEDIATE EXAMINATION—*continued*

(In alphabetical order)

WHITE, T. C. (A. H. Ernst Champness), London
 WILKES, A. (P. R. Sewell), Bradford
 WILKINSON, G. D. (J. L. McIlraith), Manchester
 WILKS, F. S. (A. C. Bourner), London
 WILSON, W. (J. H. Bourne), Liverpool
 WOODTHORPE, W. E. (P. Bevan), London
 WRIGHT, W. (J. A. S. Hassal), Liverpool

48 Candidates failed to satisfy the Committee.

FINAL EXAMINATION.

(Prize and Certificate of Merit)

JENKINSON, M. W. (J. W. Best), Sheffield

(Certificates in order of Merit)

PEARCE, H. W. (T. S. Jones), London
 WOOD, E. (G. Proctor), Burnley
 SCOTT, A. O. (W. L. Jackson), Liverpool
 METCALF, H. S. (J. Metcalf), Cardiff
 HIGGINS, H. D. (J. Dix Lewis), London
 MENZIES, A. A. (J. G. Hodgson), Liverpool
 CULLEY, S. W. (R. Mayo), Birmingham
 COULDEN, W. A. (E. C. Price), London
 { MUTH, C. O. G. (H. Naylor), Manchester
 WILLIAMS, J. S. (W. E. Mounsey), Liverpool

(In alphabetical order)

BARKER, C. V. (F. Drury), London
 BATCHELOR, J. T., B.A. (A. L. Dickinson), London
 BROADBENT, B. (W. Kevan), Bolton
 BROWN, R. (W. P. Price-Heywood), Manchester
 BURROWS, A. (F. W. Lord), London
 CHATER, M. (J. G. Griffiths), London

FINAL EXAMINATION—*continued.*

(In alphabetical order)

CLARK, W. S. (H. W. Marillier), London
CLARKE, H. E. (C. Keys), Burton-on-Trent
CLEMONS, F. (W. Crosland), Leeds
CROASDALE, C. S. (I. E. Mannington), Hastings
CROZIER, N. G. (W. Appleby), Manchester
DAWSON, W. J. (W. Scott), Hull
DUDLEY, B. (A. P. Spence), Newcastle-upon-Tyne
EVISON, L. (T. H. Maskall), London
FAIRLEY, W. (P. F. Ward), Newcastle-upon-Tyne
FARRER, E. H. (C. W. M. Kemp), London
FOLLIT, H. C. B. (A. C. Palmer), London
FRASER, H. (J. M. Davies), London
GALLIMORE, F. E. (T. G. Shuttleworth), Sheffield
GILLESPIE, R. H. (T. Gillespie), Newcastle-upon-Tyne
GOUGH, G. (A. J. Hill), London
HALL, H. V. (W. B. Peat), London
HARDING, E. J. (H. Anstey), Bristol
HARRIS, L. W. (J. Harris), London
HOLT, J. (J. Boardman), Manchester
HOUGHTON, E. L. (J. S. Holt), Liverpool
HOWORTH, F. S. (G. Mahon), Liverpool
HUNT, W. S. (W. R. Hamilton), Nottingham
JONES, W. S. (W. H. Cochran), Liverpool
KENYON, W. (E. Paterson), Manchester
KEY, D. S. (A. Miall), London
LEES, G. H. (J. E. Halliday), Manchester
LORD, J. R. (L. Lord), Bacup
LOWE, J. F. (A. W. Price), Newcastle-upon-Tyne
MATHER, W. (E. S. Holmes), Manchester
MATLEY, E. R. (F. Halsall), Manchester
MORTON, H. J., B.A. (H. Limebeer), London
NICHOLSON, A. O. (E. D. White), Liverpool
NORTON, A. G. S. (B. T. Norton), London
PHILLIPS, J. H. (A. L. Bayfield), Birmingham

FINAL EXAMINATION—*continued.*

(In alphabetical order)

RHODES, E. (T. S. Shead), Liverpool
SAYER, H. (J. E. Tubbs), London
SHAIRP, A. (J. Ford), London
SHARMAN, J. H. (J. Chapman), Birmingham
SHEPHERD, G. D. (D. Shepherd), Cardiff
SHERWOOD, H. H. (J. E. Pritchard), Birmingham
SMEETON, W. G. (A. C. Brown), Leicester
SMITH, E. E. (P. D. Leake), London
SPICER, E. E. (S. B. Smyth), London
STONE, G. G. H. (W. Cash), London
THURGOOD, A. N. (T. Maskall), London
VAN DE LINDE, H. A. (W. F. Wiseman), London
WALSHE, H. H. H. (W. Hutton), Birmingham
WEBSTER, G. C. (H. Short), Sheffield
WESSON, W. (W. A. Schultz), London
WHITE, O. R. (J. E. Rubery), Birmingham
WINKLEY, H. J. (J. N. Derbyshire), Nottingham
WINMILL, G. (H. C. Sargent), London
WORLEY, H. A. (J. Worley), London
WRIGHT, H. R. (A. Edwards), Birmingham

52 Candidates failed to satisfy the Committee.

The
Institute of Chartered Accountants
in England and Wales.

PART IV. Vol. VIII. of the

ACCOUNTANTS' MANUAL

BEING

THE QUESTIONS

set at the Preliminary, Intermediate & Final
Examinations for June 1902,
with the ANSWERS thereto.

*The Answers to the Questions set at the Preliminary Examination are by Messrs.
Streeter & Streeter, of The Rectory, Orchardton St. Mary, S.O., Wilts., and
Hampton House, Phoenix Street, London, N.W.*

PRELIMINARY EXAMINATION, JUNE 1902.

*The ANSWERS to the QUESTIONS set at the Preliminary Examination are by
Messrs. STREETER & STREETER, of the Rectory, Orcheston St. Mary, S.O.,
Wilts., and Hampden House, Phoenix Street, London, N.W.*

ALGEBRA.

Q. 1.—Reduce to a common denominator and simplify

$$\frac{1}{x^2-2x+1} + \frac{1}{x^2+4x+4} + \frac{1}{x^2-4}$$

Check your answer by putting $x=3$.

A. 1.—

$$\begin{aligned} & \frac{1}{x^2-2x+1} + \frac{1}{x^2+4x+4} + \frac{1}{x^2-4} \\ &= \frac{1}{(x-1)^2} + \frac{1}{(x+2)^2} + \frac{1}{(x+2)(x-2)} \\ &= \frac{x^3+2x^2-4x-8+x^3-4x^2-3x-2+x^3+5x+2}{(x-1)^2(x+2)^2(x-2)} \\ &= \frac{3x^3-2x^2-2x-8}{(x-1)^2(x+2)^2(x-2)} \quad \text{1ST ANS.} \\ &= \frac{81-18-6-8}{2^2 \times 5^2 \times 1} = \frac{81-32}{100} \\ &= \frac{49}{100} \end{aligned}$$

If $x=3$ in original expression

$$\begin{aligned} \text{ANS.} &= \frac{1}{2^2} + \frac{1}{5^2} + \frac{1}{5} \\ &= \frac{1}{4} + \frac{1}{5} + \frac{1}{5} = \frac{25+20+4}{100} \\ &= \frac{49}{100} \quad \therefore \text{1ST ANS. is right.} \end{aligned}$$

Q. 2.—Divide $a^5 - a^3b^2 + 2a^2b^2 - 2b^5$ by $a - b$.

Having obtained the quotient, write down the quotient of $a^5 + a^3b^2 + 2a^2b^2 + 2b^5$ by $a + b$, explaining how you do so.

A. 2.—

$$\begin{aligned}\frac{a^5 - a^3b^2 + 2a^2b^2 - 2b^5}{a - b} &= \frac{a^2(a^3 - b^3) + 2b^2(a^3 - b^3)}{a - b} \\ &= \frac{(a^3 + 2b^3)(a^2 + ab + b^3)(a - b)}{a - b} \\ &= (a^3 + 2b^3)(a^2 + ab + b^3) \\ &= a^5 + a^3b + 3a^2b^2 + 2ab^3 + 2b^4\end{aligned}$$

$$\begin{aligned}\text{similarly } \frac{a^5 + a^3b^2 + 2a^2b^2 + 2b^5}{a + b} &= (a^2 + 2b^3)(a^2 - ab + b^3) - (1) \\ &= a^4 - a^3b + 3a^2b^2 - 2ab^3 + 2b^4\end{aligned}$$

The result differs by a single sign in the second factor of expression (1), and that affects the sign of two of the terms of the result.

Q. 3.—How can you find the factors of a quadratic expression by inspection? Illustrate your answer by finding the factors of

$$x^2 + 5x + 6, \quad x^2 + x - 12, \quad 9x^2 + 24x + 16.$$

A. 3.—

Taking a general expression, we have

$$x^2 + (a + b)x + ab = (x + a)(x + b)$$

Whence when signs are all + the co-efficient of the second term of the quadratic expression is the sum of the second terms of the two binomial factors, and the third term is their product.

When the sign of the third term is - the co-efficient of the second term is the difference of the second terms of the two binomial factors.

If the sign of the constant term is +, then those of the second terms of the factors are alike; if -, different, and then the greater has the sign of the co-efficient of x .

$$x^2 + 5x + 6 = (x + 3)(x + 2)$$

$$x^2 + x - 12 = (x + 4)(x - 3)$$

$$\begin{aligned}9x^2 + 24x + 16 &= (3x)^2 + 2 \times 3x \times 4 + 4^2 \\ &= (3x + 4)(3x + 4) = (3x + 4)^2\end{aligned}$$

Q. 4.—If $\frac{a}{b} = \frac{c}{d}$, show that each of the ratios is equal to $\frac{pa+qc}{pb+qd}$, where p and q may have any numerical values whatever.

Also given $\frac{a}{b} = \frac{c}{d}$, show that $\frac{a+b}{a-b} = \frac{c+d}{c-d}$.

A. 4.—

$$\text{Let } \frac{a}{b} = \frac{c}{d} = k$$

then $a = bk$ and $c = dk$

$$\therefore pa = pbk \text{ and } qc = qdk$$

$$\therefore pa + qc = pbk + qdk$$

$$\text{i.e. } \frac{pa+qc}{pb+qd} = k = \frac{a}{b} = \frac{c}{d}$$

$$\frac{a}{b} = \frac{c}{d} \quad (i)$$

$$\therefore \frac{a}{b} + 1 = \frac{c}{d} + 1$$

$$\text{or } \frac{a+b}{b} = \frac{c+d}{d} \quad (a)$$

$$\text{again from (i) } \frac{a}{b} - 1 = \frac{c}{d} - 1$$

$$\frac{a-b}{b} = \frac{c-d}{d} \quad (\beta)$$

$$\div \text{ } (a) \text{ by } (\beta) \quad \frac{a+b}{a-b} = \frac{c+d}{c-d}$$

This result is denoted by the term "Componendo and Dividendo."

Q. 5.—A man and two boys are addressing envelopes: when they all work together there are 88 done in an hour; when the man has worked for two hours and the boys for three there are 216 completed. How many does the man, and how many do the two boys together, do in an hour?

A. 5.—

Let x = No. done by man in an hour,
and y = No. done by two boys in an hour.

Then $x + y = 88$ (i)

and $2x + 3y = 216$ (ii)

$\times$ (i) by 2 $2x + 2y = 176$

subtracting $y = 40$

whence also $x = 48$ } Ans.

Q. 6.—What is the price of oranges when a rise of 2d. a dozen would mean six less in the shillingworth ?

A. 6.—

Let x pence = price per dozen,

then 1d. buys $\frac{12}{x}$

and 1s. buys $\frac{144}{x}$

Again, $x + 2$ = price per dozen after rise,

and then 1d. will buy $\frac{12}{x + 2}$

or 1s. will buy $\frac{144}{x + 2}$

Whence $\frac{144}{x} - \frac{144}{x + 2} = 6$

i.e. $144(x + 2 - x) = 6x(x + 2)$

or $x^2 + 2x - 48 = 0$

i.e. $(x + 8)(x - 6) = 0$

Whence $x = 6$ or -8

i.e. $6d.$ = required price per dozen,

or $\frac{1}{2}d.$ = required price each.

Q. 7.—Write down the numerical values of the following expressions:— $(27)^{\frac{1}{3}}$, $(64)^{-\frac{1}{2}}$, $(4)^{\frac{3}{4}}$, $(9)^{-0.5}$; and state the power of x in the expression

$$x^{\frac{1}{2}} \times x^{\frac{3}{4}} \times \frac{1}{x^{\frac{1}{3}}} \times \sqrt{x^5}.$$

A. 7.—

$$\begin{aligned}
 (27)^{\frac{4}{3}} &= \left(\sqrt[3]{(27)^4} = 3^4 = 81 \right. \\
 (64)^{-\frac{3}{2}} &= \left(\frac{1}{\sqrt{64}} \right)^3 = \left(\frac{1}{8} \right)^3 = \frac{1}{512} \\
 (4)^{\frac{5}{2}} &= 2^5 = 32 \\
 (9)^{-\frac{5}{2}} &= 9^{-\frac{1}{2}} = \frac{1}{3} \\
 x^{\frac{4}{3}} \times x^{\frac{5}{6}} \times \frac{1}{x^2} \times \sqrt{x^6} & \\
 &= x^{\frac{4}{3} + \frac{5}{6} - 2 + \frac{1}{2}} \\
 &= x^{\frac{4}{3} + \frac{5}{6} + \frac{1}{2}} \\
 &= x^{\frac{8+5+3}{6}} \\
 &= x^{\frac{16}{6}} \\
 &= x^{\frac{8}{3}} \\
 \text{i.e. power is } \frac{8}{3}
 \end{aligned}$$

Q. 8.—Extract the Square Root of

$$x^6 - 6ax^5 + 15a^2x^4 - 20a^3x^3 + 15a^4x^2 - 6a^5x + a^6.$$

A. 8.

$$\begin{array}{r}
 \begin{array}{r} x^6 - 6ax^5 + 15a^2x^4 - 20a^3x^3 + 15a^4x^2 - 6a^5x + a^6 \\ x^6 \end{array} \Bigg| x^3 - 3ax^2 + 3a^2x - a^3 \\
 2x^3 - 3a^3x \quad \begin{array}{r} -6ax^5 + 15a^2x^4 \\ -6ax^5 + 9a^2x^4 \end{array} \\
 2x^3 - 6ax^2 + 3a^3x \quad \begin{array}{r} 6a^2x^4 - 20a^3x^3 + 15a^4x^2 \\ 6a^2x^4 - 18a^3x^3 + 9a^4x^2 \end{array} \\
 2x^3 - 3ax^2 + 3a^3x - a^3 \quad \begin{array}{r} -2a^3x^3 + 6a^4x^2 - 6a^5x + a^6 \\ -2a^3x^3 + 3a^4x^2 - 6a^5x + a^6 \end{array} \\
 \hline
 \therefore \text{ required square root} = x^3 - 3ax^2 + 3a^2x - a^3
 \end{array}$$

Q. 9.—Solve the equations :—

$$(i.) \quad x + 6 - \sqrt{x+6} = 12;$$

$$(ii.) \quad x + y = 36, \quad xy = 323.$$

A. 9.

$$\begin{aligned}
 \text{(i.)} \quad & x+6-\sqrt{x+6}=12 \\
 & \text{whence } \left\{ \sqrt{x+6}-4 \right\} \left\{ \sqrt{x-6}+3 \right\} = 0 \\
 & \text{or } \sqrt{x+6}=4 \text{ or } -3 \\
 & \therefore x+6=16 \text{ or } 9 \\
 & \therefore x=10
 \end{aligned}$$

The 2nd answer is a root of the equation

$$x+6+\sqrt{x+6}=12$$

$$\begin{aligned}
 \text{(ii.)} \quad & x+y=36 \text{ (i.) } xy=323 \text{ (ii.)} \\
 & \text{square (i.) } x^2+2xy+y^2=1296 \\
 & \qquad \qquad 4xy = 1292 \\
 & \text{subtract } x^2-2xy+y^2 = 4 \\
 & \text{take square root } x-y = \pm 2 \\
 & \qquad \qquad x+y = 36 \\
 & \text{whence } 2x = 38 \text{ or } 34 \\
 & \therefore x = 19 \text{ or } 17 \\
 & \text{and } y = 17 \text{ or } 19 \} \text{Ans.}
 \end{aligned}$$

ARITHMETIC.

Q. 1.—A room measures 31 ft. 6 in. $\times$ 13 ft. 10 in. Find the cost of staining and varnishing a margin of 1 ft. 6 in. in width all round at 1s. a square yard, and laying the remainder with carpet 26 in. wide at 5s. 8d. a yard, the strips of carpet to be laid lengthwise down the room.

A. 1.—

$$\text{Area to be stained and varnished} = 2 \times (12\frac{1}{2} + 30) \times \frac{2}{3} \text{ sq. ft.}$$

$$\begin{aligned} \therefore \text{cost of staining and varnishing the margin} &= \frac{2 \times 42\frac{1}{2} \times 3}{9 \times 2} \text{ shillings} \\ &= \frac{127}{9} \quad \text{,,} \\ &= 14\frac{1}{3} \quad \text{,,} \end{aligned}$$

Within the margin there is an area $10\frac{1}{2}$ feet by $28\frac{1}{2}$ feet to be laid lengthwise with carpet 26 inches wide, therefore we shall require 5 strips of carpet $28\frac{1}{2}$ feet long.

$$\begin{aligned} \therefore \text{cost of carpeting} &= \frac{5 \times 28\frac{1}{2}}{3} \times 5\frac{2}{3} \text{ shillings} \\ &= \frac{5 \times 57 \times 17}{9 \times 2} \quad \text{,,} \\ &= \frac{85 \times 19}{6} \quad \text{,,} \\ &= 267\frac{1}{2} \quad \text{,,} \end{aligned}$$

$$\begin{aligned} \text{Whence total cost} &= 14\frac{1}{3} + 267\frac{1}{2} \quad \text{,,} \\ &= 281 + \frac{1}{2} + \frac{1}{3} \quad \text{,,} \\ &= £14 \text{ 1s. } 7\frac{1}{2}\text{d. Ans.} \end{aligned}$$

Q. 2.—Add together $\frac{17}{33}$, $\frac{5}{12}$, $\frac{9}{44}$, $\frac{3}{8}$, $\frac{1}{572}$, and express the result as a decimal correct to *three* places, using the contracted method.

Find the values of the following products by the shortest methods you can—

$$468.92 \times 39.97, \quad 768.73 \times 25, \quad 89.12 \times 3.125.$$

A. 2.—

$$\begin{aligned}
 & \frac{17}{33} + \frac{5}{12} + \frac{9}{44} + \frac{3}{8} + \frac{1}{572} \\
 &= \frac{17 \times 104 + 5 \times 286 + 9 \times 78 + 3 \times 429 + 6}{3432} \\
 &= \frac{1768 + 1430 + 702 + 1287 + 6}{3432} \\
 &= \frac{5193}{3432} \\
 &= 1\frac{5193-3432}{3432} \\
 &= 1\frac{1761}{3432} \\
 &= 1\frac{1716}{3432} \\
 &= 1\frac{45}{84} \\
 &= 1\frac{11}{10}
 \end{aligned}$$

This result is obtained by contracted method of division thus :—

$$\begin{array}{r}
 3,4,3,2 \overline{) 5193} \quad 1\cdot513 \\
 \underline{3432} \\
 1761 \\
 \underline{1716} \\
 45 \\
 84 \\
 \underline{11} \\
 10
 \end{array}$$

$$\begin{aligned}
 468\cdot92 \times 39\cdot97 &= 468\cdot92 \times \{40 - \cdot03\} \\
 &= 18756\cdot8 - 14\cdot0676 \\
 &= 18742\cdot7324 \quad \text{Ans.} \\
 768\cdot73 \times 25 &= 768\cdot73 \times \frac{100}{4} = \frac{76873}{4} \\
 &= 19218\cdot25 \quad \text{Ans.} \\
 8912 \times 3\cdot125 &= 8912 \times 3\frac{1}{8} = 26736 + 1114 \\
 &= 27850 \quad \text{Ans.}
 \end{aligned}$$

Q. 3.—What will be the rent payable on a holding of 287 ac.
3 rd. 13 p. at £2 12s. 6d. an acre?

A. 3.—

2 rd.	$\frac{1}{2}$	£	s	d	
		2	12	6	
				287	
		752	7	6	
1 rd.	$\frac{1}{2}$		1	6	3
10 p.	$\frac{1}{4}$		13	11	$\frac{1}{2}$
2 p.	$\frac{1}{8}$		6	6	$\frac{1}{4}$
1 p.	$\frac{1}{16}$		1	8	$\frac{1}{8}$
				7	$\frac{1}{8}$
		754	15	4	$\frac{1}{8}$

Ans.

Q. 4.—If a square field has an area of 3 ac., what is the length
of the side, to the nearest foot?

A. 4.—

$$3 \text{ ac.} = 3 \times 4840 \times 9 \text{ sq. ft.} = 130680 \text{ sq. ft.}$$

$$\begin{array}{r} 13,06,80 \text{ } 361 \\ 9 \\ \hline 66 \overline{) 406} \\ \underline{396} \\ 721 \overline{) 1080} \\ \underline{721} \\ 359 \end{array}$$

$\therefore$ required number of feet in length of side = 361.

Q. 5.—If a bankrupt owes debts £3,422 15s. 3d. and can only pay £986 10s. 7d., how much will his creditors receive in the £? (Calculate to the nearest farthing.)

A. 5.—

$$\text{Debts} = £3422.763.$$

$$\text{Assets} = £986.529.$$

$$\begin{array}{r} 3422763 \overline{) 9865290} \cdot 288 \\ \underline{6845526} \\ 3019764 \\ \underline{2798210} \\ 281554 \\ \underline{279821} \end{array}$$

$$£288 = 5s. 9d. \text{ Ans.}$$

Q. 6.—The dividend from a certain investment, after deduction of income tax at 1s. 2d. in the £, amounts to £14 11s. 11. What was the gross dividend before deduction?

A. 6.—

$$\text{Gross dividend} \times \frac{226}{240} = £14 \text{ } 11s. \text{ } 11d.$$

$$\therefore \text{Gross dividend} = \frac{240}{226} \times £14 \text{ } 11s. \text{ } 11d.$$

$$= \frac{240}{226} \times 14 \frac{111}{20}$$

$$= \frac{240}{226} \times 14 \frac{143}{240}$$

$$= \frac{240}{226} \times 503 \frac{1}{240}$$

$$= \frac{240}{226} \times 503$$

$$= 15 \frac{113}{226}$$

$$= £15 \text{ } 10s. \text{ } \text{Ans.}$$

Q. 7.—If I buy 72 £2 shares in an industrial company at a price of £3 $\frac{1}{4}$ per share, what will be the total amount invested, and what will be (i.) the gross income, (ii.) the net rate of interest on the money invested, if the dividend be 21 $\frac{1}{2}$ per cent.?

A. 7.—

$$\begin{aligned}\text{Capital invested} &= 3\frac{11}{16} \times 72 = \frac{59 \times 72}{16} = \frac{59 \times 9}{2} \\ &= \frac{531}{2} \\ &= \text{£}265 \text{ 10s. Od.}\end{aligned}$$

$$\begin{aligned}\text{Gross income} &= 21\frac{1}{2} \times \frac{72}{100} = \frac{85 \times 72}{400} = \frac{17 \times 9}{10} \\ &= \frac{153}{10} = \text{£}15 \text{ 6s. Od.}\end{aligned}$$

$$\text{Net Rate per cent.} = \frac{1530}{265 \cdot 5} = \frac{306}{53 \cdot 1} = \frac{34}{5 \cdot 9} = 5\frac{45}{59} \%$$

Q. 8.—What should be the price in francs per metre of a cloth priced at 3s. 11d. the yard?

If the duty on a spirit be 5s. a gallon, what is this in francs per litre? [Take 1 sovereign = 25 francs, 1 metre = 39·37 inches, 1 litre = 1000 cubic centimetres, 1 gallon = 0·16 cubic feet.]

A. 8.—

$$3\text{s. 11d. per yard} = 47\text{d. for } 36 \text{ ins.}$$

$$= \frac{47}{36} \times \frac{39 \cdot 37}{1} \text{ d. per metre.}$$

$$= \frac{47 \times 39 \cdot 37 \times 25}{36 \times 12 \times 20} \text{ francs per metre.}$$

$$= \frac{47 \times 39 \cdot 37 \times 5}{144 \times 12} \quad \text{''} \quad \text{''}$$

$$= \frac{235 \times 39 \cdot 37}{1728} \quad \text{''} \quad \text{''}$$

$$= 5 \cdot 35 \text{ francs. per metre nearly.}$$

$$5\text{s. paid for 1 gallon, i.e. for } \cdot 16 \text{ cubic feet.}$$

$$= 60\text{d. for } \cdot 16 \times 1728 \text{ cubic inches.}$$

$$= 60\text{d. for } \frac{\cdot 16 \times 1728}{(39 \cdot 37)^3} \text{ cubic metres.}$$

$$= 5\text{d. for } \frac{\cdot 16 \times 144}{(39 \cdot 37)^3} \quad \text{''} \quad \text{''}$$

$$= 5\text{d. for } \frac{\cdot 16 \times 144 \times 1000 \cdot 000}{(39 \cdot 37)^3} \text{ cubic centimetres.}$$

$$= \frac{5 \times (39 \cdot 37)^3}{160 \times 144} \text{ d. for 1 litre.}$$

$$= \frac{125 \times (39 \cdot 37)^3}{160 \times 144 \times 240} \text{ francs.}$$

$$= 1 \cdot 38 \text{ francs per litre.} \quad \text{Ans.}$$

Q. 9.—A grocer sells one tea at 1s. 6d. and another at 2s. 6d. per lb. His profit is 10 per cent. of the selling price in the first case, and 16 per cent. in the second. He mixes them in the proportion of 1 lb. of the former to 2 lb. of the latter, and sells the mixture at 2s. 3d. per lb. What is the profit on the mixture, per cent. of the selling price?

A. 9.—

$$\text{Buying price of 1st sort of tea} = \frac{180}{11} \text{d.}$$

$$\text{,, ,, 2nd ,, ,,} = \frac{3000}{116} = \frac{750}{29} \text{d.}$$

$$\begin{aligned} \therefore \text{Cost price of 3 lbs. of Mixture} &= \frac{180}{11} + \frac{2 \times 750}{29} \text{d.} \\ &= \frac{5220 + 16500}{319} \text{d.} \\ &= \frac{21720}{319} \text{d.} \end{aligned}$$

$$\text{Selling price of 3 lbs. of Mixture} = 2\text{s. } 3\text{d.} \times 3 = 81\text{d.}$$

$$\text{Whence profit on an outlay of } \frac{21720}{319} \text{d.} = \left(81 - \frac{21720}{319} \right) \text{d.}$$

$$\text{or ,, ,, ,, } 21720 = 25839 - 21720.$$

$$\text{i.e. ,, ,, ,, } 21720 = 4119$$

$$\therefore \text{,, ,, ,, } 100 = \frac{411900}{21720}$$

$$\text{or ,, ,, ,, } 100 = 18 \frac{2094}{2172}$$

$$\text{Whence profit per cent.} = 18 \frac{1047}{1086} \text{ Ans.}$$

$$= 19 \% \text{ nearly.}$$

ENGLISH COMPOSITION.

Write an Essay on *one*, but not more than one, of the following subjects :—

1. Cecil Rhodes.
2. The advantages and disadvantages of adopting in England a system of Compulsory Military Service.
3. The Life and Writings of Francis Bacon or John Milton.

General Principles.

It must be remembered that the art of composition exercises control over both the structure and the meaning of sentences. The words must follow in grammatical order, there must be a syntactical agreement between them ; the whole sentence should be intelligible, forcible, and in good taste.

Careful thought should first be bestowed upon the subject, and a skeleton be drawn up which may guide the arrangement of the essay and prevent a subsidiary aspect of it from assuming too great an importance.

THE LIFE AND WRITINGS OF JOHN MILTON.

John Milton was born in Bread Street, London, December 9th 1608, and was the son of John Milton, a scrivener by calling, of easy circumstances. He had a sister, Anne, and a brother, Christopher, who espoused the Royal cause in the Civil War, and eventually became a Romanist. In 1625 he was admitted a student of Christ's College, Cambridge ; he left the University in 1632 on taking his M.A. degree, having been the author of several poems in Latin and English, among them the great "Hymn on the Nativity," and the epitaph on Shakespeare. He decided not to take Orders, possibly to his own misfortune and that of posterity.

He then lived with his father at Horton, Bucks, and produced "L'Allegro," "Il Penseroso," "Arcades," and "Comus." At the age of 25 he lost his friend Edward King, the subject of his "Lycidas."

He made a foreign tour from April 1638 to July 1639, visiting France and Italy, where he became known to Galileo. On his return he lived in London as a tutor, and produced several treatises against Episcopacy. In 1643 he married Mary Powell, of a Royalist family, who survived only ten years. In 1656 he married Mary Woodcock, who died within a year; and in 1664 a third wife, Elizabeth Minshull, who survived him.

In 1644 he published his "Areopagitica," a speech to the Parliament for the liberty of printing. In 1647, having lost his father (who died in his house at Barbican), he moved to Holborn, taking with him a few scholars. In 1649 he wrote in defence of the execution of Charles I., and became "Secretary for the Foreign Tongues" to the Council of State. He had had a threatening of blindness in 1644, but in 1654 he became quite blind. A pension of £150 for life from the Republican Government, which was lost at the Restoration, marked their sense of the value of his services.

In 1649 he published a volume, "Eikonoklastes," in answer to the "Eikon Basilike," falsely attributed to the deceased King. Then followed the "Defensio pro Populo Anglicano contra Claudii Salmasii Defensionem Regiam," in Latin. Other publications came after, down to 1660, all intended to support the existing state of things.

He left his official residence for Holborn, and thence went to Jewin Street, and in 1661 wrote his Latin grammar. But his mind from 1658 had been occupied by his great epic, "Paradise Lost," which was finished in 1665 at Chalfont St. Giles, and published two years later in ten books. It appeared, as we now have it, in 1674. On his return to London, when the plague had ceased, he brought out "Paradise Regained" and "Samson Agonistes" in

1671; also a "History of Britain" to the Norman conquest, and a treatise on Logic in Latin; in 1673, a volume "Of True Religion." He died November 8th 1674, at his house in Bunhill Fields, and was buried beside his father in St. Giles', Cripplegate—having been a sufferer from gout; poor, but not destitute; ministered to by his wife and daughters—leaving an immortal name as a poet, and having displayed a character great and virtuous, but somewhat deficient in amiability.

GEOMETRY.

Q. 1.—Describe any constructions by which you can (i.) draw a perpendicular to a given straight line through a given point in it, (ii.) through a given point draw a parallel to a given straight line. Give constructions that you could use on the drawing board, with ruler and compasses only.

A. 1.—(i.) Let AB be given straight line and C the given point in it.

In AC take any point D, so that $CD < CB$. Cut off from CB, CE equal to CD. (Euclid, Book I., prop. 3.)

On DE describe an equilateral triangle DEF.

Join CF. Then CF is the perpendicular required.

(ii.) Let AB be given straight line and C the given point, which must be outside the line.

In AB take any point D ; join CD, at point C in line CD, make the angle DCE equal to angle CDB.

(Euclid, Book I., prop. 23.)

Produce straight line EC to F. Then ECF is parallel to AB.

Drawing Board Constructions.

(i) On AB from C lay off by compasses equal distances CD and CE ; with D and E as centres and same radius draw arcs to cut in G ; join GC with ruler, it is perpendicular to AB.

(ii.) From C, the point, draw CD perpendicular to AB ; at K, any other point in AB, draw KL perpendicular to AB equal to DC. Join CL, it is parallel to AB.

Q. 2.—Show that, if a straight line cut two parallel straight lines, it makes the alternate angles equal.

A. 2.—Euclid, Book I., prop. 29.

Q. 3.—How would you construct a triangle ABC, given the lengths of AB and AC and the angle B? Show that, in such a case, two triangles may generally be constructed from the same data.

Would it be possible, or not, to construct the following triangles? If not possible, state why:—(i.) A triangle with sides 1.44 inches, 1.37 inches, and 3 inches long; (ii.) a right-angled triangle with base 5 inches and sides 3 and 4 inches long; (iii.) a triangle with angles 75° , 38° , and 45° .

A. 3.—Produce the side BC both ways to D and E; from A draw AF perpendicular to BCE, cutting it in F.

Now, if the angle B be opposite the greater of the two given sides—*i.e.*, if $AC > AB$ —one, and only one, triangle can be constructed from these data. But if $AC < AB$, there may be none, one, or two triangles:—

If $AC < AF$, none.

If AC equals AF , one only.

If $AC > AF$, two triangles.

With centre A and radius AC, describe arc CGE, cutting BC, produced in E; join AE.

The triangles ABC and ABE have both the required data, as AE equals AC.

This is the ambiguous case of plane triangles.

(i) A triangle with sides respectively 1.44, 1.37, and 3 inches, is *impossible*, as one side of a triangle cannot be $>$ the other two together.

(ii.) A right-angled triangle, whose sides equal 3, 4, and 5 inches respectively, is *possible* if the longest side be the one opposite the right angle, the hypotenuse, for $5^2 = 3^2 + 4^2$.

(iii.) A triangle with angles respectively 75° , 38° , and 45° is *impossible*, as the three angles of a triangle must equal two right angles, that is, together must number 180° .

Q. 4.—A given angle BAC is bisected. If BA be produced to D , and the angle CAD be also bisected, show that the two bisectors are at right angles.

A. 4.—Let BAC be bisected by AE , and CAD by AF .

Then angle $FAE = FAC + EAC$.

$$= \frac{1}{2} (BAC + CAD).$$

$$= \frac{1}{2} (\text{two right angles}).$$

$$= \text{one right angle}.$$

$\therefore FA$ is perpendicular to AE .

Q. 5.—Through a given point draw a straight line such that the perpendiculars let fall on it from two other points may be on opposite sides of it and equal.

A. 5.—Let C be point through which the line must be drawn, and A and B the other two points.

Join AB , bisect it in D ; join CD and produce it both ways. This will be the line required. Draw AE and BF perpendiculars to CD , cutting it in E and F .

In triangles ADE , BDF side $AD = BD$, angle $ADE =$ angle BDF , being vertical; also angle $AED =$ angle BFD , being right angles.

$\therefore AE = BF$ (Euclid, Book I., prop. 26), $\therefore$ the perpendiculars are equal.

Q. 6.—A straight line is divided into two parts. Show that, if twice the rectangle contained by the parts is equal to the sum of the squares on the two parts, the straight line is bisected.

A. 6.—Let AB be divided in C as required; let it also be bisected in D .

Then as $AB = 2 DB$,

$$AB^2 = 4 DB^2,$$

$$= 4 AD \cdot DB \quad \therefore AD = DB.$$

But by hypothesis,

$$AC^2 + CB^2 = 2 AC, CB.$$

$$\therefore AC^2 + CB^2 + 2 AC, CB = 4 AC, CB.$$

$$\therefore AB^2 = 4 AC, CB. \quad (\text{Euclid, Book II., prop. 4.})$$

$$\text{But } AB^2 = 4 AD, DB.$$

$\therefore$ point D is same as point C, or AB is bisected in C.

Q. 7.—Divide a straight line into two parts so that the square on the one may be double of the square on the other.

A. 7.—Let AB be the given straight line, from B draw BC perpendicular to AB, and at point A make angle BAC = one-fourth of a right angle; let BC and AC meet in C. Cut off BD from BA equal to BC, join CD.

Then AD^2 shall = twice BD^2 .

Angle CDB = $\frac{1}{2}$ right angle $\therefore BD = BC$.

$\therefore$ angles DAC and DCA = $\frac{1}{2}$ right angle.

And DAC = $\frac{1}{2}$ right angle $\therefore DAC = DCA$.

$\therefore DA = DC \therefore DA^2 = DC^2$.

$\therefore DA^2 = DB^2 + BC^2 = 2 DB^2$.

$\therefore$ line is divided as required.

Q. 8.—Show that the angle in a semicircle is a right angle.

A. 8.—Euclid, Book III., prop. 31.

Q. 9.—Describe and prove a construction for drawing a tangent to a circle from a given point outside it.

A. 9.—Euclid, Book III., prop. 17.

HISTORY AND GEOGRAPHY.

Q. 1.—Show in what respects the character and development of the English people have been affected by foreign influences.

A. 1.—The English made their final settlement in Britain from about A.D. 449 to 547. The Britons were chiefly driven westwards, but some mingled with their conquerors. In the 10th century a large settlement of Danes was made in the east and north. In the 11th century occurred the Norman conquest. Adversity strengthened the English character, and the opening up of more intimate relations with the Continent brought England into a more extensive sphere.

Many Flemings and Lombards made England their home from the 17th century, and at the end of it the advent of the gallant Huguenots introduced an element of greater refinement, developed trade in the island and augmented its foreign commerce.

Q. 2.—Give some particulars of the following:—The Star Chamber, the Darien Scheme, the Petition of Right, Poyning's Law, Tonnage and Poundage, Scutage.

A. 2.—*The Court of the Star Chamber* was instituted in the 14th century, but was reorganised by Henry VII. It had its name from the decorations of the room in which it met at Westminster. At first it was useful in checking the lawlessness of nobles in the provinces by the removal of the trial from local influences. But afterwards it became hated for its arbitrary proceedings and severe punishments. It was abolished by the Long Parliament.

The Darien Scheme of 1695 was to found a Scottish colony on the Isthmus of Darien to conduct the Indian trade. £400,000

was subscribed in Scotland, but the East India Company petitioned against it, and William III. looked coldly on the project. But disease broke out, provisions failed, the Spaniards attacked the settlers, and it was a complete loss, much to the disappointment of the Scotch; and to this may be attributed in part the rebellion of 1715.

The Petition of Right was passed by the third Parliament of Charles I. in 1628. Based upon Magna Charta, it forbade the levying of benevolences, and taxes without consent of Parliament; the arbitrary arrest of individuals and the billeting of soldiers on them; and the trial of soldiers and sailors by martial law.

Poyning's Law was passed 1495. By it no Bill could be introduced into the Irish Parliament till it had received the approval of the English Council; and that all statutes lately made in England should be deemed law in Ireland. This was, however, held to bar all statutes made after.

Tonnage and Poundage, the foundation of our modern Customs, were originally granted to Henry V., being 2s. on every tun of wine and 6d. every pound of other imported articles. They were an object of contention between Charles I. and his Parliament.

Scutage was a money payment, instituted by Henry II., instead of military service, to which the tenants were liable.

Q. 3.—Contrast the foreign policy of the Tudor and Stuart Houses.

A. 3.—The foreign policy of the first two Tudor sovereigns was to court the alliance of Spain, which suddenly became the first power of Europe, as a counterpoise against France. This was modified by the Reformation, by which England became a prominent Protestant, and Spain a Romanist, power. With Mary Tudor the alliance became the chief object, as she married Philip II. of Spain, and won for him the battle of St. Quentin against France. This was changed under Elizabeth, who,

although sometimes at war with France, found her chief enemy in Philip.

The early Stuart Kings, with the partial exception of James I. and Charles I., sought the alliance of France, and as Spain declined, Charles II. and James II. became Louis XIV.'s humble followers.

Q. 4.—When, by whom, and with what result were the following battles fought :—Pinkie, Tewkesbury, Sedgemoor, Lincoln, Shrewsbury, La Hogue, Killiecrankie, Talavera ?

A. 4.—Pinkie, 1547—English and Scots ; former, victors.

Tewkesbury, 1471—Edward IV. and Margaret ; former, victor.

Sedgemoor, 1685—James II.'s troops and Monmouth ; former, victors.

Lincoln, 1217—English and French ; former, victors.

Shrewsbury, 1403—Henry IV. and Hotspur ; former, victor.

La Hogue, 1689—Sea fight, English and French ; former, victors.

Killiecrankie, 1689—Dundee and William III.'s troops ; former, victors.

Talavera, 1809—Wellington and Victor ; former, victor.

Q. 5.—Mention the important wars with France during the fourteenth and fifteenth centuries.

A. 5.—1336.—The French declared war against Edward III. Battles of Sluys and Crecy.

1355.—War renewed. Poitiers ; Treaty of Bretigny ; loss of the French provinces.

1413.—Campaign of Agincourt ; Treaty of Troyes.

1424.—Campaign of Verneuil and Orleans ; Joan D'Arc ; second loss of the French provinces.

1475.—Edward IV. invades France; Treaty of Pecquigny.

1492.—Henry VII. invades France.

Q. 6.—Under what circumstances were the following added to the British possessions :—Malta, Jamaica, Australia, Gibraltar, the Channel Isles, the Cape of Good Hope?

A. 6.—

Malta (1800 A.D.).—Napoleon had occupied it during his voyage to Egypt, despoiling the Knights. It surrendered to Nelson's fleet.

Jamaica (1655).—By Admiral Penn, under Cromwell's Government; taken from the Spaniards.

Australia (1770).—Visited on the east coast and annexed by Captain Cook.

Gibraltar (1704).—Captured by Admiral Rooke from the Spaniards.

The Channel Islands (1066).—The remnants of the Duchy of Normandy, gained to England by the Conquest.

Cape of Good Hope (1814).—Annexed by the English during the Napoleonic wars, and bought eventually from the Dutch for £6,000,000.

Q. 7.—What do you know about Canute, Bothwell, John Wilkes, Thomas Wentworth, Offa, Strongbow, the Duke of Buckingham, Edmund Ironsides?

A. 7.—

Canute.—A Dane, King of England (1016 to 1035) by conquest, but on the whole ruled well.

Bothwell, *Earl of*.—Married Mary, Queen of Scots, after the murder of Darnley, 1567. He was tried, but acquitted by favour of the Queen. He was defeated by Murray at the battle of Carberry Hill, and died soon after in exile.

John Wilkes.—The Clodius of his day. A clever demagogue and Member of Parliament in the reign of George III.; expelled

the House for stating in the *North Britain* newspaper that his Majesty had told a lie, 1764.

Thomas Wentworth, Earl of Strafford.—Chief Minister of Charles I. after the death of Buckingham. A man of some noble qualities and great ability, he laboured to make the King absolute, and governed Ireland severely but well. He was impeached of treason and executed, 1641, the King having discredibly consented to it.

Offa, King of Mercia (755-796), was the most powerful English prince of his day, uniting all England between the Humber and Thames under his sway. He made a rampart called "Offa's Dyke," between the Dee and Wye, to curb the Britons, and had the alliance of Charlemagne. He instituted Peter's Pence; but his memory is stained by the murder of Ethelbert, King of East Anglia.

Strongbow (Richard de Clare) invaded Ireland 1170, and paved the way for the English conquest. He interfered in the tribal quarrels of the island, and having married Eva, the daughter of Dermot, King of Leinster, became Seneschal of Ireland under Henry II.

The Duke of Buckingham, George Villiers, the unprincipled favourite of James I. and Charles I., appeared at Court in 1615. He rose rapidly and soon acquired various titles. He accompanied Prince Charles to Spain to seek the hand of the Infanta. He was put in command by Charles, after his accession, of an expedition against France to help the Huguenots (1627), but he was unsuccessful owing to his incapacity. Both Charles's first and second Parliaments expressed objections to his proceedings; he would have been impeached by the third, but it was prorogued. He was assassinated at Portsmouth by Felton, a disappointed officer, 1628.

Edmund Ironsides, son and successor of Ethelred the Unready, became King and died in 1016. He led the English against

Canute during the latter part of his father's reign, and on his death agreed to divide the kingdom. Soon after, he was treacherously murdered.

Q. 8.—Assign important events to the years 1138, 1314, 1485, 1534, 1688, 1756, 1851.

A. 8.—

A.D.

1138.—Battle of the Standard.

1314.—Battle of Bannockburn.

1485.—Battle of Bosworth.

1534.—Acts of Supremacy and Succession passed under Henry VIII.

1688.—The revolution; abdication of James II.

1756.—Admiral Byng defeated at Minorca.

1851.—The first International Exhibition in Hyde Park.

Q. 9.—Write a short life of *two* of the following:—Cardinal Wolsey, Oliver Cromwell, William Pitt, the Earl of Beaconsfield.

A. 9.—Thomas Wolsey (1471-1530) was born at Ipswich, and graduated at Oxford at the age of 14. He took orders, and received the living of Lymington. Henry VII. saw his ability, and made him Dean of Lincoln. On the accession of Henry VIII. he rose quickly, becoming Bishop of Tournay, Lincoln, and Winchester, Archbishop of York, Cardinal, and Papal Legate. He aimed at the Papacy, but failed. His fall was brought about by his temporising policy with respect to the King's divorce. He was charged with transgressing the statute of *Præmunire*, and retired to York. Arrested on a new charge of treason, he fell ill on the road to London, and died at Leicester. He was a great but not a good man.

Oliver Cromwell.

The life of a single man may, from various circumstances, have a marked influence on his generation and the future of his country.

Never was this more exemplified than in the case of Oliver Cromwell, who was born at Huntingdon 25th April 1599, being the son of Robert Cromwell and Elizabeth Steward. His father was descended from the sister of Thomas Cromwell, Earl of Essex, and his mother may have had some connection with the Royal Family. He was educated at Sidney Sussex College, Cambridge, which town he afterwards represented in Parliament. He married, in 1620, Elizabeth, daughter of Sir James Bourchier. He sat in the Short and Long Parliaments in 1640, and, as he died in 1658, his public life was crowded into 18 years.

When the Civil War broke out in 1642, he became a captain of a cavalry regiment, and was present at the battle of Edgehill, a ridge separating Oxfordshire from Warwickshire. In 1643 he formed his corps of Ironsides, a regiment of cavalry from the men of the eastern counties (chiefly), and the deaths of Hampden and Pym necessitated his advancement. The next year was decided the victory of Marston Moor, the turning battle of the war, and he became General of Division. In 1645 he carried, being the head of the Independents, the "New Model" which disqualified Members of Parliament from having commissions in the army; and disingenuously obtained exemption from it. This doubtful measure was justified by the ruin of the King at Naseby by Fairfax, with Cromwell as second in command; but its final result was the revolt of the army from the Parliament, Pride's Purge, and the execution of the King in 1649. For this crime Cromwell must be held largely responsible, and the only excuse is the King's insincerity.

Cromwell next put down the Irish revolt with odious cruelty. In 1650, Charles II. having been crowned by the Scots, he was

sent as commander-in-chief against them. He defeated them at Dunbar, and a year after routed Charles at Worcester. In 1653 he expelled the members of the House of Commons from their seats and became Protector. He summoned four Parliaments, but with the best intentions found it difficult to get on with them. He made war on the Dutch and with Spain, in alliance with France, and obtained by threats the cessation of the persecution of the Waldenses. Worn out by the fatigues of war and government, he died in the midst of a terrible storm on September 3, his fortunate day, the anniversary of Dunbar and Worcester.

His character has been extravagantly praised and blamed. Undoubtedly if he had been more scrupulous he would not have risen so high; yet his rule was on the whole beneficial. The wickedness of the succeeding reign makes his domination shine by comparison. Neither his greatness nor conscientiousness was of the first order, but come high in the next rank. He prevented the establishment of an absolute monarchy in England, and to a certain extent deserves well of Englishmen.

The first William Pitt, Earl of Chatham. He raised England to the height of power when the Seven Years' War ended in 1763, and, if he had still been Prime Minister, would have prevented the revolt of the American Colonies.

The Earl of Beaconsfield, Benjamin Disraeli, became known as a Radical politician, but attracted little notice till he became second to Lord Derby, who headed the Conservatives. He held Cabinet rank in 1852, 1858, and 1866, and passed a Reform Bill. In 1868 he became Prime Minister, and in 1874 for the second time. He was most successful in checking the ambitious designs of Russia; he died soon after leaving office.

Q. 10.—Enumerate the important authors and discoverers of the eighteenth century.

A. 10.—*Authors* :—

John Locke.—Died 1704. Author of “An Essay Concerning Human Understanding.”

Gilbert Burnet (1715).—Bishop of Salisbury; wrote “A History of His Own Time” and the “Pastoral Care.”

Joseph Addison (1719). — Poet, and contributor to the “Spectator.”

Sir Isaac Newton (1727).—Astronomer and mathematician; author of the “Principia.”

Daniel Defoe (1731).—Novelist; wrote “Robinson Crusoe.”

Alexander Pope (1744).—Poet; translated Homer.

Dean Swift (1745).—Wrote “Gulliver’s Travels.”

Bishop Butler (1752).—Wrote the “Analogy of Religion.”

Thomas Gray.—Poet; wrote the “Elegy in a Country Churchyard.”

Oliver Goldsmith (1774).—Author of “The Vicar of Wakefield,” and plays.

Samuel Johnson (1784).—Author of the first Dictionary of the English language.

Robert Burns (1796).—Poet; author of the “Cottar’s Saturday Night,” “Auld Lang Syne.”

Discoverers :—

Brindley’s Canal, over the Irwell, 1761.

Wedgwood establishes Potteries, 1763.

Hargreaves invents the “Spinning Jenny,” 1764.

James Watt invents the Steam Engine, 1765.

Richard Arkwright invents the Spinning Machine, 1768.

Crompton invents the Spinning Mule, 1776.

Cartwright invents the Power Loom, 1784.

Q. 11.—Trace the course of the rivers Yenisei, Shannon, the Great Ouse, the Clyde.

A. 11.—Yenisei, in Asiatic Russia, rises in Chinese Mongolia, flowing northwards to Yeniseisk, to which, 1,000 miles from the Arctic Ocean, British trading steamers have penetrated. It passes by Symskoie, Turukhansk, and Tolskanowsk.

Shannon, in Ireland, 240 miles, the longest river in the British Islands. It rises in Leitrim, flows through lakes Allen, Ree, and Derg, having on its banks Carrick, Athlone, Killaloe, and Limerick.

The Great Ouse rises near Brackley, flows through the counties of Northampton, Bucks, Bedford, Huntingdon, Cambridge, and Norfolk, and enters the Wash at King's Lynn after a course of about 150 miles. It has on it the towns of Bedford, Huntingdon, and Ely.

The Clyde rises in Lanark, flows through the county to Glasgow, having on it Lanark. It then forms the boundary between the counties of Dumbarton and Renfrew, having on it Dumbarton and Greenock, and falls into the Firth of Clyde after a course of about 100 miles.

Q. 12.—What and where are Corrib, Awe, Rathlin, the Tundras, Youghal, Baikal, Kama, the Steppes, Campsie Fells, Obi?

A. 12.—Corrib is a lake in county Galway, Ireland.

Awe, a lake of Scotland, county Argyll.

Rathlin, an island off the county Antrim, Ireland.

The Tundras are desolate swamps adjoining the Arctic Ocean, in Russia, generally frozen over.

Youghal, a seaport town in Ireland, in county Cork, at the mouth of the Blackwater.

Baikal, a large lake 400 miles by 45, in Siberia, with a good deal of trade, through which the river Angara flows.

Kama, a river in European Russia, tributary of the Volga.

The Steppes are uncultivated deserts, sometimes grassy, in the south-east of European and south-west of Asiatic Russia—one is the Kirghis Steppe.

Campsie Fells is a range of hills in Scotland, in Stirling county.

Obi, a river of Asiatic Russia, 2,000 miles long; on it or its tributaries are Tomsk, Omsk, and Tobolsk.

Q. 13.—Draw a Map of Russia in Asia.

A. 13.—Its northern boundary is the Arctic Ocean. The rivers Obi, Yenisei, Lena, and Kolyma run nearly north; the Amur is its southern boundary, except a piece south of it reaching to Vladivostok; Baikal, Balkash, Aral Sea, and the Caspian are large inland waters near the south. The Ural Mountains are on the west; the Altai and Yablonoi on the south. It extends to the Pacific, into which the peninsular of Kamtchatka juts.

Q. 14.—Mention important commercial facts connected with Bridgwater, Kiev, Swansea, Helsingfors, Reigate, Leith, Athlone, Astrakhan, Galashiels, Swindon, Gateshead, Festiniog, Lodz.

A. 14.—Bridgwater, in Somerset, on the Bristol Channel; exports agricultural produce; imports hemp, tallow, and timber.

Kiev, a town in European Russia, on the Dnieper; it has a University. The scene of great pilgrimages, as Christianity was first preached here in Russia.

Swansea, a town in Glamorgan, a great shipping port engaged in copper smelting.

Helsingfors, a seaport and university town, capital of Finland, Russia.

Reigate, in Surrey, England, produces fuller's earth, and sand used in the manufacture of glass.

Leith is the port of Edinburgh.

Athlone, in Ireland, on the Shannon, has distilleries, breweries, and soap works.

Astrakhan, in Russia, on the north coast of the Caspian, has a trade in furs and the sturgeon fishery.

Galashiels, in the Lowlands of Scotland, is engaged in woollen manufactures.

Swindon, in Wilts, England, is a principal station on the Great Western Railway.

Gateshead, on the south bank of the Tyne, opposite Newcastle, has glass, iron, and coal works.

Festiniog, a town in Merioneth, Wales, has slate quarries.

Lodz is the chief cotton spinning town in Russian Poland.



LATIN (ELEMENTARY).

Q. 1.—Decline—*clarius lumen, brevis spes, sagax dea*.

A. 1.—*Singular.*

N. & V.	Clarius	lumen	Brevis	spes	Sagax	dea
Ac.	„	„	Brev-em	spem	Sagac-em	deam
Gen.	Clarior-is	lumin-is	„ -is	spei	„ -is	deæ
Dat	„ -i	„ -i	„ -i	spei	„ -i	deæ
Abl.	„ -e	„ -e	„ -i	spe	„ -e	deâ

Plural.

N. & V.	Clarior-a	lumin-a	Breves	spes	Sagac-es	deæce
Ac.	„ -a	„ -a	„	„	„ -es	deas
Gen.	„ -orum	„ -um	None	„	-ium	dearum
Dat. & Abl.	„ -ibus	„ -ibus	None	„	-ibus	deabus

Q. 2.—Give the genitive singular, dative plural, gender, and meaning of *senex, pedes, vis, salus, tonitru, cantus, hospes, virus, lapis*.

A. 2.—

	<i>Gen. Sing.</i>	<i>Dat. Plu.</i>	<i>Gender.</i>	<i>Meaning.</i>
Senex	Senis	Senibus	M.	Old man
Pedes	Peditis	Peditibus	M.	Foot-soldier
Vis	(None)	Viribus	F.	Force
Salus	Salutis	(None)	F.	Safety
Tonitru	Tonitrus	Tonitribus	N.	Thunder
Cantus	Cantus	Cantibus	M.	Melody
Hospes	Hospitis	Hospitibus	M.	Guest or Host
Virus	Viri	Viris	N.	Poison
Lapis	Lapidis	Lapidibus	M.	Stone

Q. 3.—Compare *fortiter, lenis, maledicus, magnopere, iniquus, prope, gracilis*.

A. 3.—

<i>Pos.</i>	<i>Comp.</i>	<i>Super.</i>
Fortiter	Fortius	Fortissime
Lenis	Lenior	Lenissimus
Maledicus	Maledicentior	Maledicentissimus
Magnopere	Magis	Maxime
Iniquus	Iniquior	Iniquissimus
Prope	Propior	Proximus
Gracilis	Gracilior	Gracillimus

Q. 4.—Parse the words *hujusce, mallet, facitote, generi, pejora, solitis, Orte, conferti, nolle, emensae, eundo*.

A. 4.—*Hujusce*—Gen. sing. of *Hicce*

Mallet—3rd per. sing., imp. subj. of *Malo, malle, malui*. Irregular verb.

Facitote—2nd per. plu., imperat. of *Facio, facere, feci, factum*. 3rd conj., act. verb.

Generi—Dat. sing. of *Genus*, neut. gen., 3rd declen.

Pejora—Nom. plu. neut. of *Pejus*, adj. comp. of *Malus*.

Solitis—Abl. plu. fr. *Solitus*, perf part. of *Soleo, solere, solitus sum*, quasi-passive verb, 2nd conj.

Orte—Voc. sing. fr. *Ortus*, perf. part. of *Orior, oriri, ortus sum*, depon. verb, neut., 4th conj. and 3rd in pres. tense.

Conferti—Nom. plu. fr. *Confertus*, perf. part. pass. of *Confercio, confercire, no perf., Confertum*, 4th conj.

Nolle—Inf. pres of *Nolo, nolui*. Irreg. verb.

Emensae—Gen. sing. fem. fr. *Emensus*, perf. part. of *Emetior, emetiri, depon. verb. ac., 4th conj.*

Eundo—Abl. sing., gerund of *Eo, ire, ivi or ii, itum*, 4th conj.

Q. 5.—Write out the principal parts of *tollo, veho, incumbo, ordior, mordeo, haurio, expergiscor, cedo*.

A. 5.—

	<i>Inf. pres.</i>	<i>Ind. per.</i>	<i>Supine.</i>
Toll-o	-ere	sustuli	sublatum
Ve-ho	-here	-xi	-ctum
Inc-u-mbo	-mbere	-bui	-bitum
Ord-ior	-iri	orsus sum	
Mord-eo	-ere	momordi	morsum
Haur-io	-ire	hausi	haustum
Expergisc-or	-i	experrectus sum	
Ced-o	-ere	cessi	cessum

Q. 6.—What are the constructions of *piget*, *memini*, *coram*, *penes*, *interest*, *fruur*, *prae*, *antepono*?

A. 6.—*Piget* is followed by the accusative of the person and genitive of the thing; by *Inf.*; by accusative and *Inf.*; or by two accusatives.

Memini, by genitive or accusative.

Coram, prep. governing the ablative.

Penes, prep. governing the accusative.

Interest governs the genitive, but in the case of personal pronouns, the fem. abl. of the possessive is used instead.

Fruor, governing the ablative, sometimes the accusative.

Prae, prep. governing the ablative.

Antepono governs accusative of the nearer object and dative of the indirect.

Q. 7.—How are Prohibitions expressed in Latin? Give examples.

A. 7.—By *ne* with the perfect subjunctive, as *Tu ne quaesieris* = Do not enquire: sometimes *ne* with imperative; also *noli* with infinitive present, as *Noli me tangere* = Do not touch me.

Q. 8.—Mention the chief uses of the Gerund and the Gerundive in Latin.

A. 8.—The Gerund supplies cases to the infinitive present used as a noun. Its accusative follows prepositions. It is used impersonally to signify "must," as *Mihi eundum est*=I must go.

The Gerundive expresses necessity, and is used as an adjective instead of the gerund, as *Ad petendam pacem*=In order to seek for peace, for *Ad petendum pacem*, the object being attracted to the case of the gerundive which agrees with it.

Q. 9.—Explain *Greek Accusative*, *Ethic Dative*, *Ablative of Price*, *Accusative of Time*, *Hendiadys*, *Oxymoron*.

A. 9.—*The Greek Accusative* is added to passive verbs to define the part to which the verb relates, as *Stratus membra sub arbore*=With my limbs stretched under the tree.

Ethic Dative is of a personal pronoun used instead of the possessive, as *Quid mihi Celsus agit*=What is my Celsus doing? or it is used to denote a remote interest, as *An ille mihi liber*=Should I reckon him free? It is so called because it is considered to express a lively feeling.

The Ablative of Price is used to express a definite sum or specific value after verbs of buying, selling, and estimation.

The Accusative is used without a preposition to express duration of time.

Hendiadys is a grammatical figure when two nouns are used instead of a noun and adjective.

Oxymoron, when an adjective of a contrary signification, is added to a word, as *A cruel kindness*.

Q. 10.—In how many different ways can the English past participle active be expressed in Latin?

A. 10.—The English past participle active can be expressed in Latin first by *quum* or *qui* with the pluperfect subjunctive, or secondly by the perf. part. passive in the ablative absolute.

Q. 11.—Compose Latin sentences illustrating the difference between the use of moods and tenses in *oratio recta* and *oratio obliqua*.

A. 11.—*Oratio recta*:—

Cum Germanis Aedui armis contenderunt; magnam calamitatem pulsi acceperunt. Sed pejus Sequanis quam Aeduis accidit; quod Ariovistus in eorum finibus consedit, tertiamque partem agri Sequani, qui est optimus totius Galliae, occupavit.

Changed into *Oratio oblique* it is:—Cum Germanis Aeduos armis contendisse; magnam calamitatem pulsos accepisse sed pejus Sequanis quam Aeduis accidisse; quod Ariovistus in eorum finibus consedisset, tertiamque partem agri Sequani qui esset optimus totius Galliae, occupavisset.

Q. 12.—Translate into Latin:—

- (i.) He thought it of great importance to do everything for the sake of peace.
- (ii.) He asked them when they expected to reach their homes.
- (iii.) Is it not in everyone's power to help those who are unable to look after their own interests?
- (iv.) I deny that you have the right to prevent me from doing my duty.

A. 12.—

- (i.) Magni momenti ratus est, ut omnia propter pacem faceret.
- (ii.) Rogavit eos quum in sua tecta pervenire expectaverunt.
- (iii.) Non cujusvis est illis qui non possint suis rationibus consulere, subvenire.
- (iv.) Nego te recte mihi obstaturum quin officium conficiam.

INTERMEDIATE EXAMINATION, JUNE 1902.

BOOKKEEPING AND ACCOUNTS

(INCLUDING PARTNERSHIP ACCOUNTS).

Q. 1.—Write up the following transactions in their respective Accounts and produce Trial Balance.

1902				£	s	d
Jan. 1	Cash to Bank by R. Brown on his Capital Account on commencement of the business	..	..	500	0	0
„	Ditto by W. Cox ditto ditto	..	..	400	0	0
„	Cash paid for Stock of ready-made Boots	..	..	550	0	0
„	Amount placed on Deposit Account	..	..	200	0	0
„	Bought of W. Jones 5 gross of men's Boots, at £3 per doz., less 2½ per cent...	..	..	..	..	..
„	Accepted W. Jones's draft for above at three months	..	..	..	..	..
7	Ready-money Sales	..	..	4	12	6
„	Wages of Assistants	..	..	3	10	0
9	Solicitor's Charges, Deed of Partnership	..	..	7	7	0
„	Paid Stamp Duty and charges on Lease	..	..	84	3	0
14	Ready-money Sales	..	..	13	4	6
„	Wages of Assistants	..	..	3	10	0
„	Paid deposit to Gas Company	..	..	2	0	0
21	Wages of Assistants	..	..	3	10	0
„	Ready-money Sales	..	..	17	6	0
28	Wages of Assistants	..	..	3	10	0
„	Ready-money Sales	..	..	19	12	6
31	Salary of Manager, 1 month at £102 per annum	..	..	..	..	..
Feb. 1	Cash drawn by R. Brown	..	..	12	10	0
„	„ W. Cox	..	..	10	0	0
„	Deposit at Bank withdrawn	..	..	..	..	..
„	Interest allowed by Bank	..	..	0	6	8
„	Bought of W. Jones 5 gross of men's Boots, at £2 19/- per doz., less 2 per cent. ..	..	..	..	..	..
„	Accepted W. Jones's draft for above at 3 months	..	..	..	..	..
4	Paid W. Jones's draft, due April 4th, less 2 months' discount at 3 per cent. per annum	..	..	..	..	..

A. 1.—

Dr.

CASH BOOK.

Cr.

1902		£ s d	1902		£ s d
Jan. 1	To R. Brown, Capital	500 0 0	Jan. 1	By Purchases Account	.. ..
" 7	" W. Cox, do.	400 0 0	" 7	" Deposit Account	550 0 0
" 14	" Ready Money Sales	4 12 6	" 7	" Wages	200 0 0
" 21	Do.	13 4 6	" 9	" Legal Expenses re Partner- ship	3 10 0
" 28	Do.	17 6 0	" 14	" Ditto re Lease	7 7 0
Feb. 1	Do.	19 12 6	" 14	" Wages	34 3 0
	Deposit Account	200 6 8	" 21	" Gas Co., deposit	2 0 0
			" 28	" Wages	3 10 0
			" 31	" Manager's Salary	8 10 0
			Feb. 1	" R. Brown, Drawings	12 10 0
			" 4	" W. Cox, Drawings	10 0 0
			" 4	" Bills payable (W. Jones, due April 4)	174 12 5
				" Balance carried down	141 19 9
					17 7
					1,155 2 2
1902		£1,155 2 2			
Feb. 4	To Balance brought down	141 19 9			

A. 1.—(continued).

LEDGER.

Dr.		R. BROWN, CAPITAL.				Cr.	
			1902 Jan. 1	By Cash		£ 500	s d 0 0
Dr.		W. COX, CAPITAL.				Cr.	
			1902 Jan. 1	By Cash		£ 400	s d 0 0
Dr.		READY MONEY SALES.				Cr.	
			1902 Jan. 7	By Cash		£ 4	s d 12 6
			14	" Do.		13	4 6
			21	" Do.		17	6 0
			28	" Do.		19	12 6
Dr.		WAGES ACCOUNT.				Cr.	
1902 Jan. 7	To Cash	£ 3	s 10	d 0			
14	" Do.	3	10	0			
21	" Do.	3	10	0			
28	" Do.	3	10	0			
Dr.		LEGAL EXPENSES.				Cr.	
1902 Jan. 9	To Cash (for Partnership Deed)	£ 7	s 7	d 0			
"	" Cash (for Stamps on Lease, &c.)	34	3	0			
Dr.		GAS CO.				Cr.	
1902 Jan. 14	To Cash, Deposit	£ 2	s 0	d 0			
Dr.		PURCHASES ACCOUNT.				Cr.	
1902 Jan. 1	To Cash	£ 550	s 0	d 0			
"	" W. Jones	180	0	0			
Feb. 1	" W. Jones	177	0	0			

A. 1.—(continued).

Dr.			DEPOSIT ACCOUNT.	Cr.		
1902			£ s d	1902		£ s d
Jan. 1	To Cash	200	0 0	Feb. 1	By Cash	200 6 8
Feb. 1	" Interest		6 8			
		£	200 6 8			£ 200 6 8

Dr.			W. JONES.	Cr.		
1902			£ s d	1902		£ s d
Jan. 1	To Bills Payable	175	10 0	Jan. 1	By Purchases Account, 5	
"	" Discount at 2½ %	4	10 0		gross Boots	180 0 0
Feb. 1	" Bills Payable	173	9 2	Feb. 1	" Do. Do.	177 0 0
"	" Discount at 2 %	3	10 10			
		£	357 0 0			£ 357 0 0

Dr.			BILLS PAYABLE.	Cr.		
1902			£ s d	1902		£ s d
Feb. 4	To Cash and Discount ..	175	10 0	Jan. 1	By W. Jones	175 10 0
				Feb. 1	" Do.	173 9 2

Dr.			INTEREST AND DISCOUNT.	Cr.		
				1902		£ s d
				Jan. 1	By W. Jones	4 10 0
				Feb. 1	" Do.	3 10 10
				"	" Deposit Account ..	6 8
				4	" Cash	17 7

Dr.			MANAGER'S SALARY.	Cr.		
1902			£ s d			
Jan. 31	To Cash	8	10 0			

Dr.			R. BROWN, DRAWINGS.	Cr.		
1902			£ s d			
Feb. 1	To Cash	12	10 0			

Dr.			W. COX, DRAWINGS.	Cr.		
1902			£ s d			
Feb. 1	To Cash	10	0 0			

A. 1.—(continued).

TRIAL BALANCE, 4th February 1902.

	Dr.			Cr.		
	£	s	d	£	s	d
Cash at Bank	141	19	9			
R. Brown, Capital				500	0	0
W. Cox, Capital				400	0	0
Ready Money Sales				54	15	6
Wages	14	0	0			
Legal Expenses	41	10	0			
Gas Co.	2	0	0			
Purchases	907	0	0			
Bills Payable				173	9	2
Interest and Discount				9	5	1
Manager's Salary	8	10	0			
R. Brown, Drawings	12	10	0			
W. Cox, Drawings	10	0	0			
	£1,137	9	9	£1,137	9	9

Q. 2.—Being in charge of the Accounts of a Limited Company from its inception up to the date of commencing to trade, what Books and Documents will you require, and what will be the nature of the entries you will have to make?

A. 2.—The books required by statute are—

Register of Members.

Register of Mortgages.

Annual List of Members and Summary Book.

Register of Directors and Managers.

In addition to these the usual trading books will be required, as well as Applications and Allotments Book, Share Ledger, Allotment Letters Book, Share Certificate Books, Common Seal, and Register of Transfers.

Copies of the Memorandum and Articles of Association, Prospectus, and of the Returns which have to be filed with the Registrar of Joint Stock Companies should also be obtained, as well as any contracts that may have been entered into by or on

behalf of the company; Title Deeds, &c., of any property that may have been acquired, Vouchers for all payments made, and particulars of Preliminary Expenses.

Q. 3.—Illustrate your method of converting a set of Books from Single-entry to Double-entry for a period from one Stocktaking to another?

A. 3.—The method of converting Single-entry into Double-entry is, shortly stated, to complete the Double-entry by posting to Ledger Accounts all those entries which have so far been only incompletely recorded.

The various Nominal Accounts will be posted up from the Cash Book, and Journal entries passed for all outstandings.

The Sales and Purchases can probably be arrived at in total from the Day Book and Invoice Book respectively, but where this is impossible it will become necessary to analyse the Sold and Bought Ledgers with a view to arriving at these totals.

In Single-entry those transactions which affect any Personal and Real Accounts would have been fully recorded, while those which affect Nominal Accounts will only have been recorded to the extent to which they also affect Personal or Real Accounts. The conversion of the system of Single-entry into Double-entry involves the completing of the imperfect record with regard to the latter class of transactions.

Q. 4 —A London Company has a branch at Pernambuco, and remits to it sums of money from time to time. The branch sends cargoes of goods to London for realisation. In view of the difference of currency and of varying rates of exchange, how should the transactions be treated in the London books?

A. 4.—The accounts at the Head Office and at the Branches may be kept in the same way as the ordinary record of transactions between consignors and consignees. The accounts at the

foreign Branch will, however, be kept in the foreign currency, and the Branch returns will also be rendered in the same currency. These must be incorporated in the Head Office books by being first converted at the average rate of the period, with the exception of remittances, which would be converted at the actual rate realised. Any difference should be transferred to an Exchange Account. If on the date of balancing the value of the foreign currency is lower than the average rate, a Reserve must be made for the possible loss upon the excess of floating assets over floating liabilities, which will also be debited to Exchange Account. Should the exchange be favourable, it is better to await actual realisation, rather than to show a credit balance on Exchange Account.

Q. 5.—Show how you would combine the Balance Sheets and interchanging Accounts of a concern having separate trading centres in London, Liverpool, and Manchester.

A. 5.—Adjustment Accounts should be kept between the various sets of Ledgers upon exactly the same lines as those usually employed in connection with the various Ledgers at any one place of business. By means of these Adjustment Accounts all the Ledgers kept at the various Branches as well as at the Head Office become practically parts of one set of books, and the Trial Balances can be readily combined. In practice, however, the various Adjustment Accounts will never exactly agree at any given date on account of items in transit, and Reconciliation Accounts have therefore to be prepared upon the same lines as when a Pass Book balance is being agreed with a Cash Book.

When preparing an amalgamated Balance Sheet it is important to see that inter-departmental balances are eliminated, so that the final figures may actually show the position of the undertaking as a whole in relation to outsiders.

Q. 6.—An Estate Owner starts a Poultry Farm, and his Bailiff is to receive one-third of the profits as remuneration for general supervision.

The owner finds Capital, £300 at 5 per cent.

The Cash is expended thus:—

				£	s	d
Fencing, Huts, Coops, &c. ..	..	..	..	100	0	0
4 Incubators of 100 Egg capacity ..	..	..	..	60	0	0
400 Eggs to start the Incubators ..	..	..	..	5	0	0
440 selected Fowls for stock ..	..	..	..	88	0	0
Food, Oil, and Stores, on account ..	..	..	..	47	0	0
				<u>£300</u>	<u>0</u>	<u>0</u>

During the first year the eggs produced numbered 62,400, out of which 4,400 were placed in the incubators, and the remainder sold at an average of 1d. each.

The Incubators hatched out 80 per cent. of the eggs placed in them, but one-fourth of the chickens died from various causes. The remainder were reared and sold at 2s. each.

Fifty of the original fowls died, and were replaced out of cash, at the original price.

The expenditure of the year was—		£	s	d
Rent of 10 acres at £4 per acre, including all taxes ..	..			
Wages: Man, 15s. per week; boy, 10s. per week.. ..	..			
Further Food, Oil, and Stores, after allowing for £50, stock on hand	..	145	13	4

Write off 10 per cent. depreciation from Fencing, &c., and Incubators, make up Profit and Loss Account, and distribute the balance.

Q. 7.—John Jones bought through Messrs. Smith & Co., Stockbrokers, £1,000 Great Western Railway Ordinary Stock. He sold it again through the same Stockbrokers before the settling day.

The Contracts sent to him were :—

1902		£	s	d
Mar. 24.	Bought for John Jones £1,000 G.W.R. Ordinary Stock			
	at 135			
	Commission, $\frac{1}{2}$ per cent. on cost			
	Contract Stamp, 1s.			
	Stamp Duty on Transfer (10s. per cent.)			
	Transfer Fee, 2s. 6d.			
	For Account, April 15th 1902	£		
April 10.	Sold for John Jones £1,000 G.W.R. Ordinary Stock			
	at 139			
	Commission, nil			
	Contract Stamp, 1s.			
	For Account, April 15th 1902	£		

Fill in the Amounts on the Contracts and prepare an Account by Smith & Co., showing balance due to John Jones.

A. 7.—

1902		£	s	d
Mar. 24	Bought for John Jones £1,000 G.W.R. Ordinary Stock			
	at 135	1,350	0	0
	Commission at $\frac{1}{2}$ per cent.	3	7	6
	Contract Stamp, 1s.	1	0	
	Stamp Duty on Transfer	6	15	0
	Transfer Fee, 2s. 6d.	2	6	
	For Account, April 15 1902	£1,360	6	0
1902				
Apr. 10	Sold for John Jones £1,000 G.W.R. Ordinary Stock			
	at 139	1,390	0	0
	Commission nil			
	Contract Stamp, 1s. (deducted)	1	0	
		£1,389	19	0

Q. 8.—Drs. A. and B. have a practice producing £3,729 per annum, which they divide in proportions of 17-33rds and 16-33rds. They admit Dr. C. to partnership on the basis of his buying—at two years' purchase—5-17ths of Dr. A.'s share, and 4-16ths of Dr. B.'s share. After the lapse of three years they permit him to purchase a further 1-12th of their remaining shares. How much did Dr. C. pay each of the others on each occasion, and what is the ultimate share of each partner in the practice?

A. 8.—

						£	s	d
Dr. A.'s Share, $\frac{17}{33}$ rds of £3,729	..	..	..	..	..	1,921	0	0
Dr. B.'s Share, $\frac{16}{33}$ rds of £3,729	..	..	..	..	..	1,808	0	0
						<u>£3,729</u>	<u>0</u>	<u>0</u>
C. pays on first occasion to Dr. A.	..	..	..	..	..	1,130	0	0
C. " " " Dr. B.	..	..	..	..	..	904	0	0
						<u>1,356</u>	<u>0</u>	<u>0</u>
The Shares are then—Dr. A.	..	..	..	£1,921	0	0		
Less $\frac{5}{17}$ ths	..	..	..	565	0	0		
				<u>1,356</u>	<u>0</u>	<u>0</u>		
Dr. B.	..	..	..	1,808	0	0		
Less $\frac{4}{16}$ ths	..	..	..	452	0	0		
				<u>1,356</u>	<u>0</u>	<u>0</u>		
Dr. C.	..	..	..	..	..	1,017	0	0
						<u>£3,729</u>	<u>0</u>	<u>0</u>
* C. then pays to Dr. A.	..	..	..	..	..	226	0	0
C. " " Dr. B.	..	..	..	..	..	226	0	0
						<u>1,243</u>	<u>0</u>	<u>0</u>
The Shares are then—Dr. A.	..	..	..	..	..	1,243	0	0
Dr. B.	..	..	..	..	..	1,243	0	0
Dr. C.	..	..	..	..	..	1,243	0	0
						<u>£3,729</u>	<u>0</u>	<u>0</u>

Each partner thus owns one-third.

* This is reckoned on the basis that the same agreement as to two years' purchase was in force.

Q. 9.—What deductions can be claimed when making returns for Income Tax under Schedule D?

1. From Salaries.
2. From Trading Profits.
3. From Dividends on Investments in England and Abroad.
4. From Rents from Estates.

A. 9.—(1) *Salaries*.—An allowance may be claimed by any person for premiums of life insurance for his own or his wife's life, in respect of deferred annuities on his own or his wife's life, in any insurance company or friendly society, legally established, provided that the premiums payable to such friendly society shall have been made for more than three months.

This is not strictly a deduction, but is an allowance. It is not authorised in respect of any annual premium beyond one-sixth of the claimant's income from every source, nor will it give exemption or abatement if the total income is reduced below their respective limits by its deduction.

(2) *Trading Profits*.—Repairs of premises and supply or repair of implements, &c., not exceeding sum usually so expended on an average of the three preceding years.

Bad debts and doubtful debts according to their estimated value.

Rent of premises used solely in trade.

A sum (to be allowed by the Commissioners) not exceeding two-thirds of the rent of premises partly used in trade.

Similar deductions to the last two, of the annual value on which duty has been paid under Schedule A, of premises used solely or partly, as the case may be, for the purposes of trade.

Any other disbursements wholly and exclusively laid out for the purposes of trade.

Such deduction as the Commissioners may think just and reasonable for wear and tear of machinery.

(3) *Dividends*.—Trades Unions are exempted from income tax in respect of dividends applicable solely for the purpose of provident benefits (Trade Union (Provident Funds) Act, 1893, Section 1).

Penny Savings Banks are exempted in respect of dividends applied in the payment of interest to any depositor, not exceeding

£5 per annum ; but if the depositor's income exceeds £160 a year the dividends must be accounted for under Schedule D. (Finance Act, 1894, Section 36.)

Foreign dividends are charged on the basis of the full amount to be received in the United Kingdom.

(4) *Rents from Estates*.—These are assessed under Schedule A.

(For further information hereon, *vide* Murray & Carter's "GUIDE TO INCOME TAX PRACTICE.")

Q. 10.—Give your opinion as to the best method of keeping a Petty Cash Account?

A. 10.—A Petty Cash Account should be kept on the Columnar system, *i.e.*, a separate column should be kept for each class of expense. There should be one column in which all the payments are entered, and then each payment should be extended in its proper analysis column.

At the end of each month a summary should be made and the totals posted to their respective Ledger Accounts. Vouchers should be obtained for all payments. Where possible they should be the actual receipts of the persons to whom the money is due, but where this is impossible the person who is responsible for the payment should give a receipt to the cashier.

As regards the money received by the cashier, the best way is for the cashier to be handed a certain sum—say £20—which will more than cover the weekly expenses. At the end of the week he should find out his total expenditure and obtain a cheque for that amount, thus bringing his balance up to £20 again. At the end of each financial period he should be required to pay his balance into the bank. This shows that the balance in his hands is correct.

RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES, AND RECEIVERS.

Q. 1.—In the case of the bankruptcy of a Contributory, how should a Liquidator deal with his liability to contribute to the anticipated deficiency?

A. 1.—In the event of the bankruptcy of a contributory, the Companies Act, 1862, Section 77, enacts that his consignees shall be deemed to represent him, and shall be deemed to be contributories accordingly. The bankrupt's name remains on the list (*Cape Breton Co.*, 19, Ch. Div. 77.) A proof should be lodged with the assignees in bankruptcy.

Q. 2.—Can a member of a Committee of Inspection in a Company liquidation derive any profit from any transaction arising out of the winding-up, and, if so, under what circumstances?

A. 2.—No member of a committee of inspection may make any direct or indirect profit except with the sanction of the Court. (Companies (Winding-up) Rules, 1890, 158.) The leave must be obtained before the profit is made. (*Re Galland* (1896), 1 Q.B. 68.)

Q. 3.—If appointed as Liquidator of a Limited Company in Voluntary Liquidation, describe how you would proceed to fulfil your duties.

A. 3.—The main duties of a liquidator under a voluntary liquidation are to settle lists of contributories and creditors; to realise the assets of the company; and make calls on the contributories if necessary, and distribute the proceeds between the members of the company, in accordance with their holdings.

It is impossible to give a detailed description in a reasonable space.

Q. 4.—What debts are payable by a Trustee in Bankruptcy in priority to all other debts; and, if the Assets are insufficient to meet such preferential payments, are any of such debts to be preferred to the others, and, if so, in what order?

A. 4.—

(1) Rates and Taxes.

(2) Salaries of clerks or servants up to £50 in each case.

(3) Wages to workmen and labourers up to £25.

(4) Debts due from officers to Savings Banks. (Savings Bank Act, 1863, Section 14; and 1891, Section 40.)

(5) Debts due from officers to Friendly Societies. (Friendly Societies Act, 1896, Section 35.)

(6) The Workmen's Compensation Act, 1897, Section 5, gives a workman entitled to compensation a first charge on any sum the employer may be entitled to from an insurer in respect of such accident, in the event of the bankruptcy of the employer.

The first three have priority in the event of the assets not being sufficient. They rank equally between themselves, and abate, if necessary, in equal proportions.

Q. 5.—What Debts provable in Bankruptcy are deferred until other Creditors are paid in full, and under what Acts of Parliament is this authorised?

A. 5.—

(1) Loans for which the lender is to receive a rate of interest varying with the profits, or a share in the profits. (Partnership Act, 1890, Sections, 2, 3.)

(2) Loans from wife to husband for the purposes of his trade. (Married Women's Property Act, 1882, Section 3.)

Q. 6.—In the case of the Bankruptcy of a Partnership, explain what is Joint Estate and what are Separate Estates, and how they are respectively dealt with and distributed. Also, if there should be a surplus, either in the Joint Estate or in one or other of the Separate Estates, how is it to be dealt with?

A. 6.—For the purposes of administration, the quality of the property does not depend on the representations made to a particular creditor, but the real character of the property, subject to the doctrine of reputed ownership.

Joint estate is applicable in the first instance in payment of the joint debts, and separate estate to the payment of separate debts.

Where joint and separate estates are being administered together, dividends are to be declared together.

Any surplus of the joint estate is dealt with as part of the respective separate estates in proportion to the right and interest of each partner in the joint estate. Any surplus of the separate estates is dealt with as part of the joint estate.

Q. 7.—If, as Trustee in a Bankruptcy, you had realised the Estate, and paid the Final Dividend and all costs, what steps would you take to close the matter?

A. 7.—The trustee must give notice to all creditors and the debtor of his intention to apply to the Board of Trade for his release, together with a summary of his receipts and payments as trustee. He then applies to the Board of Trade for his release, who, on his complying with the requirements and after considering a report on his accounts which they cause to be prepared, and any complaints from creditors, will grant or withhold his release, subject to an appeal to the High Court. The release does not take effect till he has handed over all books, papers, documents, and accounts, to the Official Receiver. (Bankruptcy Act, 1883, Section 82, and Rules 309, 310 (a).)

Q. 8.—In what relation does a Receiver stand to the Court which appointed him?

A. 8.—A Receiver is an officer of the Court which appoints him. He is not the agent for any particular party, and his appointment is for the benefit of all the parties to the action.

Q. 9.—What is the effect of the appointment of a Receiver in an action?

A. 9.—The effect of the appointment of a Receiver is to vest the possession of the subject-matter in him as an officer of the Court. The rights of the parties are in no way affected, the Receiver only acquiring possession, and not ownership. For the detailed effects of the appointment in particular cases, see "Kerr on Receivers," 4th edition, pp. 147, *et seq.*

Q. 10.—What powers has a Receiver as to letting property which he is usually authorised to exercise without applying for the sanction of the Judge?

A. 10.—A Receiver may let for any period up to three years. His powers to grant leases are limited to parol leases authorised by Section 2 of the Statute of Frauds.

BOOKKEEPING AND ACCOUNTS

(INCLUDING EXECUTORSHIP ACCOUNTS).

Q. 1.—A. buys Goods from B. to the value of £100, off which he is allowed a discount of 5 per cent., and gives B. a bill for the amount; B. having bought Goods from C. to the value of £150 net, pays him A.'s bill and cash for the balance. At maturity the bill is dishonoured. To whom does C. look for the amount of the bill? What are the entries to be made in A., B., and C.'s books?

A. 1.—C. would look to B. for the amount of the bill, but he can, of course, also claim against A.

The entries would be :—

	£	s	d	£	s	d
<i>In A.'s Books—</i>						
Goods	100	0	0			
To B.	..			100	0	0
<i>B.</i>	100	0	0			
To Bills Payable	..			95	0	0
„ Discount	..			5	0	0
<i>And after the Bill has been dishonoured—</i>						
Bills Payable	95	0	0			
Discount	5	0	0			
To B.	..			100	0	0
<i>There would also be a noting charge with which B. would have to be credited</i>						
<i>In B.'s Books—</i>						
A.	100	0	0			
To Goods	..			100	0	0
Bills Receivable	95	0	0			
Discount	5	0	0			
To A.	..			100	0	0
Goods	150	0	0			
To C.	..			150	0	0
<i>C.</i>	150	0	0			
To Bills Receivable	..			95	0	0
„ Cash	..			55	0	0
<i>After the Bill has been dishonoured—</i>						
A.	100	0	0			
To C.	..			95	0	0
„ Discount	..			5	0	0
<i>A. would be debited and C. credited with noting charges</i>						
<i>In C.'s Books—</i>						
B.	150	0	0			
To Goods	..			150	0	0
Bills Receivable	95	0	0			
Cash	55	0	0			
To B.	..			150	0	0
<i>B.</i>	95	0	0			
To Bills Receivable	..			95	0	0
<i>B. would also be debited with the noting charges</i>						

Q. 2.—A. has property of the gross value of £600 per annum, out of which there is a chief rent payable of £100, and upon which there is a Mortgage of £1,000 at 4 per cent. Repairs, Rates, and Insurance cost £120, and Agent's Commission for collecting the rents, £15. The remainder of his income consists of £4,000 3 per cent. Preference Stock in the Lancashire and Yorkshire Railway Company, and £1,000 4 per cent. Preference Stock in the London and North Western Railway Company.

Make out his Income Tax return, and show what abatement (if any) he is entitled to recover.

A. 2.—Statement of A.'s income from all sources :—

Rent of Property	£600	
Less Chief Rent	£100	
„ Interest on Mortgage	40	
„ Allowance for Repairs ($\frac{1}{4}$ th. of £600)	100	
	<u>240</u>	£360

Dividends—

Lancashire & Yorkshire Railway Company..	120	
London & North Western Railway Company	40	
	<u>160</u>	
		<u>£520</u>

Tax will have been paid on—

Rent (£600 - £100)	500	
Dividends	160	
	<u>660</u>	

But tax will have been deducted when paying—

Chief Rent	100	
Interest on Mortgage	40	
	<u>140</u>	

So that A. will only have actually borne the tax on £520

As his Income is under £600 per annum from all sources, however, he is entitled to an abatement of £120, and can recover the tax paid on that amount.

(For further information *vide* Murray & Carter's "GUIDE TO INCOME TAX PRACTICE.")

Q. 3.—A Company, having lost Capital to the extent of £1,600,000, decides to write down its Share Capital as follows:— By reducing its 200,000 £10 Ordinary Shares fully paid, to £4, and its 100,000 £10 Preference Shares, fully paid, to £6 per Share.

Assuming that the sanction of the Court has been obtained for the reduction, make the necessary entries in the books to effect the same.

A. 3.—

CAPITAL ACCOUNT, Ordinary Shares.					Cr.	
Dr.						
To Amount written off..	£	s	d	£	s	d
" Balance carried down	1,200,000	0	0	..	..	..
	800,000	0	0	..	..	..
	£2,000,000	0	0			
				By Balance at this date— (200,000 Shares of £10 each)	..	..
						2,000,000 0 0
				By Balance brought down (200,000 Shares of £4 each)		
						£2,000,000 0 0
						800,000 0 0
CAPITAL ACCOUNT, Preference Shares.					Cr.	
Dr.						
To Amount written off	£	s	d	£	s	d
" Balance carried down	400,000	0	0	..	..	..
	600,000	0	0	..	..	..
	£1,000,000	0	0			
				By Balance at this date— (100,000 Shares of £10 each)	..	..
						1,000,000 0 0
				By Balance brought down (100,000 Shares of £6 each)		
						£1,000,000 0 0
						600,000 0 0
REDUCTION OF CAPITAL ACCOUNT.					Cr.	
Dr.						
To Transfer to credit of various Accounts proposed to be written off or written down	£	s	d	£	s	d
..	1,600,000	0	0	..	..	..
..				By Amount written off Ordinary Shares	..	..
				Do.	..	..
						1,200,000 0 0
						400,000 0 0
						£1,600,000 0 0

(For further information *vide* Dicksee's "BOOKKEEPING FOR COMPANY SECRETARIES," pp. 86 and 126.)

Q. 4.—In the year 1900 two gentlemen carried on business together with works at Ipswich and Birmingham, each having the sole control of one Branch. The Partnership Articles provided that the Ipswich Partner was to have a salary of £1,200 a year, while the Birmingham Partner was to have £500 a year and $\frac{1}{4}$ th of the profits of the Branch. Five per cent. Interest was to be allowed on the Capital used in the business, amounting to £50,000, employed $\frac{2}{5}$ ths at Ipswich and $\frac{3}{5}$ ths at Birmingham. Repairs and Renewals were to be charged to Buildings and Plant, and Depreciation at 5 per cent. per annum was to be allowed therefrom. Bank Interest and Charges, which in the year amounted to £1,350, were to be charged against each branch in the proportion of $\frac{2}{5}$ ths and $\frac{3}{5}$ ths respectively. The Buildings and Plant at the beginning of the year stood in the books at Ipswich at £28,000, and at Birmingham at £42,000; and Repairs and Renewals amounted in the year to £2,500 and £4,000 respectively.

Subject to the above charges the Profits of the year amounted at Ipswich to £6,000 and at Birmingham to £9,500.

Complete the year's Profit and Loss Account.

A. 4.—

Dr.

PROFIT AND LOSS ACCOUNT.

Cr.

	Ipswich £ s d	Birmingham £ s d		Ipswich £ s d	Birmingham £ s d
To Interest on Capital	1,000 0 0	1,500 0 0	By Gross Profit	6,000 0 0	9,500 0 0
Depreciation	1,525 0 0	2,300 0 0			
Bank Interest and Charges	540 0 0	810 0 0			
Partners' Salaries	1,200 0 0	500 0 0			
" Commission on Profits .. ..	.. ..	1,097 10 0			
Balance being net profit.. ..	1,735 0 0	3,292 10 0			
	<u>£6,000 0 0</u>	<u>£9,500 0 0</u>	By Balance down—		
			Ipswich	1,735 0 0	
			Birmingham	3,292 10 0	
					5,027 10 0

Q. 5.—An Executor hands to you the usual Statements, together with Schedules, which have been rendered to the Government for the Assessment of Death Duties, Bank Pass Book, Cheque Books, Vouchers, Broker's Sale Notes, and other documents in his possession relating to a Deceased's Estate, and asks you to prepare the usual books of Account. How would you proceed to do so ?

A. 5.—From the information contained in the Estate Duty Account open up the Ledger, providing separate accounts for each investment, or other asset, the debts due at death, funeral expenses, executorship expenses, estate and legacy duties, legacies, and Estate Account. If there be a life-tenant, an Income Account will also be required, and care must be taken, when writing up the books, to distinguish between Capital and Income.

The Cash Book should then be written up, full details being entered against each item and posted into the Ledger. Care should be taken to see that all income receivable has actually been received, and transfers of such income should be made from the various Investment Accounts to the Income Account ; or, if no Income Account is kept, to the Estate Account.

The payments to legatees should be posted to the debit of Legacies Account, and (after comparison with the copy Will, to see that they are in order) a corresponding transfer should be made from the debit of Estate Account to the credit of Legacies Account.

Any differences between the book values of assets and the ultimate realisation must be debited to Estate Account, which will thus show the exact residue when the whole estate has been realised. When the estate is divided the postings should be made from the Cash Book to the debit of Estate Account, thus completely closing the books.

Q. 6.—In the case of an Annuity under a will, power is given to the Executors and Trustees to pay the Annuitant either annually out of the Income of the Estate or to purchase him an Annuity.

Which course do you recommend? and if the latter mode is adopted, how should the transaction be treated in the Trust books?

A. 6.—It would be distinctly preferable to purchase an Annuity, as the residue of the estate could then be divided, whereas, if the Annuity was paid out of the Income of the estate, it would be impossible to decide the exact amount which had to be set aside for the purpose. The only exception would be when the annuitant was quite elderly, and it was necessary—for other reasons—to keep the estate open.

The cost of the Annuity would be entered in the Trust Books as Capital Expenditure, and supposing, for instance, it cost £1,000, it would be treated as though the annuitant had received a legacy of £1,000.

Q. 7.—A Company, having a Capital of 50,000 £10 Ordinary Shares and 50,000 £10 5 per cent. Preference Shares, fully paid, and having made a profit of £100,000 in the year ending 31st December 1901, decides to appropriate the amount as follows:—

Write down Investments by £10,000.

Pay a Bonus to the Staff of £5,000.

Pay the full Preference Interest, and a Dividend on the Ordinary Shares at the rate of 8 per cent., both free of Income Tax.

Transfer to Reserve £20,000.

Make the necessary Journal entries, and show how the Balance Sheet will be affected in carrying them out.

A. 7.—

JOURNAL.					Dr.			Cr.		
					£	s	d	£	s	d
Profit and Loss Account	..	..	..	..	10,000	0	0			
To Investments Account	..	..	..	..	..			10,000	0	0
Profit and Loss Account	..	..	..	..	5,000	0	0			
To Bonus Account	..	..	..	..	..			5,000	0	0
(Being a Bonus to the Staff)										
Profit and Loss Account	..	..	..	..	65,000	0	0			
To Dividend Account	..	..	..	..	..			65,000	0	0
(Being a Dividend of 5 per cent. on Preference Shares and 8 per cent. on Ordinary Shares, free of Income Tax)										
Profit and Loss Account	..	..	..	..	20,000	0	0			
To Reserve Account	..	..	..	..	..			20,000	0	0

The Balance Sheet of 31st December 1901 would not be affected by any disposal of profits made at a later date.

Q. 8.—From the following Ledger Balances of a Hotel Company prepare Trading and Profit and Loss Accounts and Balance Sheet :—

Share Capital, 1,800 £10 Shares, £7 paid (of which 20 Shares have been forfeited during the year)							£12,600	0	0
Calls in Advance	..	..	..	..	..	..	800	0	0
Calls in Arrear, 50 Shares at £2 each	..	..	..	..	..	..	100	0	0
Mortgage Debentures	..	..	..	..	..	..	10,000	0	0
Discount on Issue of Debentures	..	..	..	..	..	..	1,000	0	0
Expenses do. do.	..	..	..	..	..	..	250	0	0
Building and Furniture (at beginning of year)	..	..	..	..	..	..	20,000	0	0
Stock at beginning of year	..	..	..	..	..	..	8,000	0	0
Receipts of Hotel and Taps	..	..	..	..	..	..	21,000	0	0
Purchases	..	..	..	..	..	..	10,000	0	0
Directors' Fees	..	..	..	..	..	..	500	0	0
Auditors' Fee	..	..	..	..	..	..	50	0	0
Rates, Taxes, and Insurance	..	..	..	..	..	..	1,000	0	0
Chief Rent Paid	..	..	..	..	..	..	200	0	0
Salaries and Wages	..	..	..	..	..	..	4,000	0	0
Coal, Gas, and Water	..	..	..	..	..	..	1,600	0	0
Discounts off Purchases	..	..	..	..	..	..	350	0	0
Debenture Interest	..	..	..	..	..	..	500	0	0
Sundry Debenture Holders for Interest	..	..	..	..	..	..	250	0	0
Creditors	..	..	..	..	..	..	3,000	0	0
Visitors' Accounts owing	..	..	..	..	..	..	500	0	0
Profit and Loss Account (credit balance from last year)	..	..	..	..	..	..	2,500	0	0
Repairs	..	..	..	..	..	..	900	0	0
Cash at Bank	..	..	..	..	..	..	1,200	0	0
Cash in hand	..	..	..	..	..	..	200	0	0

The Stock at the end of the year amounted to £9,000.

Write 5 per cent. off Buildings and Furniture, 10 per cent. off "Discount and Expenses of Issue of Debentures," provide £100 for Manager's Commission, and allow £150 for Rates and Insurance paid in advance.

A. 8.—(continued).

BALANCE SHEET as at 19...

<i>Liabilities.</i>		£ s d				<i>Assets.</i>		£ s d		£ s d	
Nominal Capital	£ ?					Buildings and Furniture	.. ..	20,000 0 0		19,000 0 0	
Capital Subscribed—						Less Depreciation ..	.. ..	1,000 0 0		9,000 0 0	
1,800 Shares of £10 each, £7 paid ..		12,600 0 0				Stock in hand	.. ..	..		150 0 0	
Less 20 " " " forfeited		140 0 0				Sundry Debtors	.. ..	..		150 0 0	
1,760 Less Calls in arrear		12,460 0 0				Rates, &c., paid in advance	.. ..	1,200 0 0			
		100 0 0				Cash at Bank	.. ..	200 0 0			
						" in hand	.. ..	..		1,400 0 0	
Calls paid in advance		..		12,360 0 0		Debenture Expenses Account	.. ..	1,250 0 0			
Forfeited Shares*		..		140 0 0		Less Amount written off ..	.. ..	125 0 0		1,125 0 0	
Mortgage Debentures		..		10,000 0 0							
Stock of Creditors		..		3,350 0 0							
Profit and Loss Account—											
Balance from last Account		2,500 0 0									
Net Profit for the Year		2,525 0 0		5,025 0 0							
				£31,175 0 0						£31,175 0 0	

* It is not clear why these shares have been forfeited, as £7 per share seems to have been paid up on them.

Q. 9.—A limited Company was formed to take over the business of a private firm which had assets amounting to £640,000, represented as follows :—

Land, Buildings, and Plant	£420,000	0	0
Materials and Stores	23,500	0	0
Work in Progress	132,000	0	0
Book Debts	90,000	0	0
Cash in Bank	26,500	0	0
Cash in hand	500	0	0
	692,500	0	0
Less Trade Creditors	52,500	0	0
	£640,000	0	0

for the sum of £800,000, payable £200,000 in fully paid Preference Shares, £100,000 in fully paid Ordinary Shares, £200,000 in Debentures, and the balance in cash.

The Share Capital of the Company was 300,000 Preference Shares of £1 each, 200,000 Ordinary Shares of £1 each, and the Debenture Capital £300,000 4 per cent. redeemable Stock, the Share Capital other than that issued in payment of purchase-money being payable 2s. per Share on application, 8s. per Share on allotment, 10s. per Share six weeks after allotment, and the Debenture Stock, other than that issued in payment of purchase-money, 10 per cent. on application, 50 per cent. on allotment, and the balance six weeks after allotment.

Make the necessary Journal entries in the Company's books.

A. 9.—

JOURNAL.					Dr.	Cr.
					£ s d	£ s d
Land, Buildings, and Plant	..	..	..	..	420,000 0 0	
Materials and Stores	..	..	..	..	23,500 0 0	
Work in Progress	..	..	..	..	132,000 0 0	
Book Debts	..	..	..	..	90,000 0 0	
Cash in Bank	..	..	..	..	26,500 0 0	
Cash in hand	..	..	..	..	500 0 0	
Goodwill	..	..	..	..	160,000 0 0	
To Trade Creditors	..	..	..	..	..	52,500 0 0
„ Vendor	..	..	..	..	..	800,000 0 0
Vendor	..	..	..	..	500,000 0 0	
To Preference Share—Capital Account	..	..	..	..	..	200,000 0 0
„ Ordinary Share—Capital Account	..	..	..	..	..	100,000 0 0
„ Debenture Account	..	..	..	..	..	200,000 0 0
Applications and Allotments Account	..	..	..	..	160,000 0 0	
To Preference Share—Capital Account	..	..	..	..	..	50,000 0 0
„ Ordinary Share—Capital Account	..	..	..	..	..	50,000 0 0
„ Debenture Account	..	..	..	..	..	60,000 0 0
First Call Account	..	..	..	..	140,000 0 0	
To Preference Share—Capital Account	..	..	..	..	..	50,000 0 0
„ Ordinary Share—Capital Account	..	..	..	..	..	50,000 0 0
„ Debenture Account	..	..	..	..	..	40,000 0 0

(For further information *vide* Dicksee's "BOOKKEEPING FOR COMPANY SECRETARIES," pp. 113-8).

Q. 10.—How would you treat Premiums paid by Executors upon Life Policies authorised by the will and held by way of investment in the books of a Trust?

A. 10.—The premiums must be paid out of capital, as the transaction is simply an investment of money belonging to the estate.

AUDITING.

Q. 1.—In audits, where it is impossible to check every entry, to what should an Auditor direct his special attention?

A. 1.—Especial attention should be directed to the cash, and the other items should be exhaustively tested by means of totals. with "self-balancing" Ledgers this arrangement can easily be carried out quite reliably, at the same time affording a considerable saving in the amount of work involved. Thus, if the Trade Ledgers be balanced separately, and the credit side of the Sold Ledgers and the debit side of the Bought Ledgers checked in detail, the remainder of the entries may well be checked in totals. The entries in the Nominal and Private Ledgers should be checked in detail and fully vouched, and the accuracy of the various items appearing in the final accounts exhaustively enquired into.

(For further information *vide* Dicksee's "AUDITING," pp. 9-10.)

Q. 2.—When a Company has not adopted a good system of account-keeping, has an Auditor any special duty to perform? Does the Companies Act, 1900, confer any special power upon an Auditor in this respect?

A. 2.—If the accounts are so unreliable or incomplete that it is impossible to certify accounts compiled therefrom as correctly disclosing the position of affairs, it is the duty of the auditor, under the Companies Act, 1900, to abstain from certifying that "all his requirements as auditor have been complied with." But if the books provide proper material for a complete audit to be made, it is no special part of an auditor's duty to criticise the exact system of bookkeeping that may be in use. He may, however, make any suggestions with regard to the point that he

may think fit, either to the directors, or to the shareholders in his Report to them under Section 23 of the Act.

Q. 3.—What are the duties of an Auditor of a Joint Stock Company in respect of the item "Preliminary and Formation Expenses," and how should the Auditor deal with it in the first Balance Sheet of the Company in which such item appears?

A. 3.—The auditor should see that the expenses are proper ones, that they are properly payable by the company, and that they do not exceed the estimate given in the prospectus. The item should appear in full upon the Balance Sheet, but should be written off within a period of (say) three or five years, and a deduction of one-third, or one-fifth, of the total should therefore be made in the first Balance Sheet of the company and charged to the debit of Profit and Loss.

Q. 4.—What would you require, when engaged upon a new audit, in order to become acquainted with the nature of a business and the system upon which it is conducted and its transactions recorded?

A. 4.—The memorandum and articles of association would first be inspected to ascertain the probable scope of the business. Then inspect all the books and enquire as to the manner in which they are kept and the general system of accounts employed. Then, in all but quite straightforward businesses, it would be as well to make a tour of inspection over the whole of the works, &c., so as to obtain from actual observation an insight into the manner in which the business was conducted and the initial records made.

Q. 5.—State shortly what you would consider it your duty to do in connection with an investigation of the Capital Account of a Company?

A. 5.—It is the duty of an auditor to see that the issue has been in accordance with the memorandum and articles of association and prospectus of the company, that the minutes relating to allotment and calls are in order, and that the amount called-up has actually been received or is accounted for by a list of arrears, which it is the duty of the auditor to verify. After the first audit no further investigation is required, unless further capital is issued or further calls are made; but if the transfers are comparatively few, it is just as well for the auditor to check them thoroughly, while in other cases it is desirable that a special arrangement should be made for the transfer work to be exhaustively audited.

Q. 6.—In the Trading and Profit and Loss Accounts of a manufacturer, state the nature of the expenditure which should be charged to each Account.

A. 6.—The expenditure chargeable against Trading Account would be all that expenditure which is part of the cost of the goods dealt in, or directly tends to increase their value before sale. The most usual items are therefore Purchases of ready-made goods and materials, the Carriage thereof, and Wages of manufacture (including the cost of Power). The following items also properly come under this heading, but, as a rule, are not included because they do not vary with the turnover, and consequently tend to cause the percentage of gross profit to fluctuate unduly: Overseers' Wages; Rent, Rates, &c., of Works; Depreciation of Machinery.

(For further information *vide* Dicksee's "AUDITING," pp. 216-31.)

Q. 7.—What do you understand by a continuous audit? What are its advantages and disadvantages?

A. 7.—The advantages of a continuous audit are that errors are more quickly detected, and therefore more easily verified ; that the bookkeeper is kept more closely up to his work ; that a more detailed audit is practicable ; and that it can be concluded more quickly after the closing of the books. Its only disadvantage is the danger that figures may be altered after they have been passed, thus interfering with the balancing of the books, and possibly with the effectiveness of the audit as a safeguard against fraud.

Q. 8.—If requested to audit accounts rendered for the first time by Executors and Trustees to a Beneficiary, the Estate having been closed and Residuary Account passed, what documents would you require to enable you to conduct the audit ?

A. 8.—Everything depends upon the interest of the beneficiary, which may be either a Pecuniary or Specific Legacy, the Residue (or a share therein), the Income (or a share therein).

In the case of Pecuniary Legacies it would only be necessary to ascertain that they have been duly paid, subject only to deduction of Legacy Duty, while even Legacy Duty ought not to be deducted if the bequest is left duty free. If, owing to the insufficiency of the estate, legatees have to abate rateably, the auditor would have to see that the beneficiary got his due proportion of what was available.

When the beneficiary is a Specific Legatee it is necessary to see that that which was handed over to him was that which had actually been bequeathed ; and when it takes the form of an investment bearing interest, the auditor should bear in mind that the legatee would be also entitled to all interest accrued due since the death of the testator.

If the beneficiary has an interest in the Residue, it is important to see that no payments have been charged against Capital that ought to have been borne by Income, or by legatees ; that payments

chargeable against Capital are properly vouched; that the whole of the estate has been properly accounted for; and that no losses have been charged against Capital for which the executors themselves are personally responsible.

When the beneficiary is interested in the Income it would be necessary to see that such income was duly received and promptly handed over, subject only to the deduction of such payments as are properly chargeable against Income, and are duly vouched.

Q. 9.—State briefly what course you would adopt in the examination of Mortgage Deeds and other Securities. If any be missing at the time of the audit, what would you do?

A. 9.—Their absence must be properly accounted for by the certificates of responsible persons in whose possession they are, especial enquiry being directed as to whether they are held as security for debts due, and, if so, whether those debts are included as liabilities.

The subsequent production of the missing documents, without further explanation, would *not* be sufficient to account for their absence at the proper time, as they might then have been deposited to cover loans, and subsequently redeemed in exchange for a deposit of other securities which the auditor had previously inspected.

The title deeds should, of course, be produced, along with all mortgage deeds.

If securities are very numerous, and are not often dealt with, it may be sufficient to seal them up in packages with a summary of the contents noted outside, and if the seal be intact at subsequent audits, the contents may be taken for granted.

Q. 10.—In the case of Companies having branches in the country or abroad, how would you safeguard yourself as Auditor in the event of your not being instructed to visit any of them?

A. 10.—The auditor should state in his Report—or preferably in his Certificate—that his audit has not extended to the Branch Accounts, and that consequently the accuracy of the accounts as a whole is dependent upon the accuracy of the certified returns received from the Branches.

FINAL EXAMINATION, JUNE 1902.

BOOKKEEPING AND ACCOUNTS

(INCLUDING EXECUTORSHIP ACCOUNTS).

Q. 1.—State what effect the following errors in posting would have on—

(a) Profit and Loss Account.

(b) Balance Sheet.

£10 3s. credited to Discounts Account instead of to the customer from whom the amount was received.

£15 4s. debited to Purchases Account instead of to Depreciation.

£11 13s. 6d. debited to Allowances Account instead of to a customer for cheque dishonoured.

A sale of £133 debited to a Customer's Account and credited to Sales Account as £130 3s.

A. 1.—(1) The net profit would appear £10 3s. too large in the Profit and Loss Account, and in the Balance Sheet the Sundry Debtors would be over-stated by the same amount.

(2) This would not affect the net profit. It would make the gross profit brought from the Trading Account too small by £15 4s. It would not affect the Balance Sheet.

(3) This would make the net profit £11 13s. 6d. below what it should be, and would make the Sundry Debtors in the Balance Sheet £11 13s. 6d. too small.

(4) This would make the net profit £2 17s. too small, unless the £2 17s. difference in books which such an error would cause was credited to Profit and Loss Account. In the latter event the Balance Sheet would not be affected; but if the amount was carried to Suspense Account, the liabilities in the Balance Sheet would be increased by £2 17s.

Q. 2.—From the following balances from the books and particulars of the A. B. Manufacturing Co., Lim., at 31st March 1902, prepare Balance Sheet at 31st March 1902, and Trading and Profit and Loss Accounts for the year ended that date :—

Creditors	£8,000
Bills Payable	3,750
Northern Bank, Lim.	2,500
Packages (debited through Sales Journal)	2,400
Sales to Customers	62,500
Freehold Land and Buildings (Offices)	£21,000
Leasehold Land and Buildings (Works)	5,250
Fixed Plant and Machinery at the Works	6,000
Patterns	4,960
Trade Marks and Goodwill	6,020
Stocks, Stores, and Work in Progress	15,800
Tools and Loose Plant	1,000
Horses and Carts	340
Coals Purchased	6,000
Purchases of Material	10,490
Wages	14,900
Discounts	1,160
Rents, Rates, and Taxes	480
Repairs and Maintenance of Buildings, Plant, Machinery &c.	860
Insurances	680
Cash on hand	80
Debtors	14,630
Carriage, Cartage, &c.	5,990
Salaries	3,900
Bad Debt Account	940
Travelling Expenses and Commissions	1,430
Office Charges	1,800

The Subscribed Capital is 5,000 Ordinary shares of £10 each, upon which £9 per share has been called. Ten shares have been forfeited upon which £40 had been received in payment of calls. The calls in arrear amount to £390.

The lease of the Land upon which the Works are erected expires 31st March 1912, and includes the Fixed Plant and Machinery. Depreciation on Land and Buildings (Freehold) may be calculated at 1 per cent. ; on Loose Plant and Tools at 5 per cent.

Provide for :—

Half-year's Rent, £160.

Unpaid Wages, £90.

Discount off debts due to the Company at $2\frac{1}{2}$ per cent.

Further allowance for Bad and Doubtful Debts, £100.

The Stocks and Stores in hand and Work in Progress at 31st March 1902 amounted to £16,000.

Q. 3.—The Executor of William Brown (who died 30th April 1899) requests you to prepare the Capital and Income Accounts of the Trust at 30th April 1900, and supplies the following information:—

At the date of the death the estate consisted of:—

Cash in the house	£15 0 0
Insurance Policy, Caledonian Insurance Co., with profits	3,563 0 0
Loan, £1,000 at 5 per cent. to John Brown on Mortgage of Freehold Property, 18 Athol Street, Newminster ..	1,000 0 0
Three months' Interest accrued to 30th April 1899 ..	12 10 0
32-64ths s.s. <i>Aldenham</i> , valued at	7,000 0 0
Household Furniture	550 0 0
£1,500 Ordinary Stock of Wanda Railway Co., at 150 ..	2,250 0 0
Joint Stock Bank, Lim., Balance in their hands ..	840 0 0
	£15,230 10 0

The s.s. *Aldenham* was built in 1898. The estate is held in trust for the son of the deceased, the widow being entitled to the income and use of the furniture during her life. General instructions are given to the Executor to continue the investments, but no specific instructions are given as to the shares in the s.s. *Aldenham*.

During the year following, receipts and payments are recorded in a note-book kept by the Executor:—

30 April 1899	Paid into Bank Cash received from Widow ..	£15 0 0
6 May „	Paid Funeral Expenses	22 0 0
10 „ „	Paid Outstanding Liabilities:—	
	J. James	£37 10 0
	F. Farquhar	18 0 0
	Wm. Wemyss	11 0 0
	H. Harris	1 0 0
		67 10 0
23 „ „	Paid the Widow on account of Income ..	50 0 0
25 „ „	Received from Caledonian Insurance Company proceeds of Life Policy	3,563 0 0
30 „ „	Deposit with Joint Stock Bank, Lim. ..	3,700 0 0

30 May 1899	Received Interim Dividend on £1,500 Ordinary Stock Wanda Railway Company, at rate of 5 per cent. per annum, less tax	36	5	0
30 June ..	Deposit withdrawn—Joint Stock Bank, Lim., and Interest (5/4/2)	2,505	4	2
1 July ..	Received from John Brown, half-year's Interest at 5 per cent per annum on £1,000, less tax ..	24	3	4
" " "	Advanced William Jones £2,500 at 4 per cent. on security of Property, 8 West India Lane, Hampton	2,500	0	0
28 Aug. ..	Paid the Widow on account of Income ..	25	0	0
" " "	Balance Deposit withdrawn and Interest (£7 10s.)	1,207	10	0
" " "	Paid Probate Duties and Expenses, including costs	700	0	0
30 Sept. ..	Purchased £1,000 Wenton Corporation 3 per cent. Stock at 105	1,050	0	0
30 Nov. ..	Received half-year's dividend on 1,500 Ordinary Stock Wanda Railway Co., at 6 per cent., less tax	48	10	0
" " "	Paid the Widow on Account of Income ..	30	0	0
1 Jan. 1900	Received from John Brown half-year's Interest, less tax	24	8	4
" " "	Received from William Jones, half-year's Interest, less tax	48	6	8
28 Feb. ..	Received from Managing Owners, s.s. <i>Aldenham</i> , dividend on 32-64th shares at £25 per share ..	800	0	0
" " "	Paid the Widow on account of Income ..	400	0	0
28 Mar. ..	Purchased £500 3 per cent. Stock Wenton Corporation at 107	535	0	0
7 April ..	Received dividend on £1,500 Wenton Corporation Stock at 3 per cent. for half-year	21	15	0

A. 3.—

ESTATE CAPITAL ACCOUNT.									
Dr.					Cr.				
1899		£	s	d	1899		£	s	d
May 6	To Cash for Funeral Expenses ..	..	..	..	Apr. 30	By Sundry Assets ..	..	..	..
10	" " Debts due at Death ..	22	10	0					
Aug. 28	" " Probate Duties, &c. ..	67	10	0					
1900	" " ..	700	0	0					
Apr. 30	" John Brown Mortgage, Pro- portion of Income Tax ..	..	..	8 4					
"	" Balance carried down ..	..	..	14,440 1 8					
				£15,230 10 0	1900	By Balance brought down ..	..	..	..
				£15,230 10 0	May 1				
									£15,230 10 0
									14,440 1 8

CALEDONIAN INSURANCE COMPANY.									
Dr.					Cr.				
1899		£	s	d	1899		£	s	d
Apr. 30	To Estate Capital Account ..	..	..	..	May 25	By Cash ..	..	..	..
									£ 3,563 0 0

A. 3.—(continued).

JOHN BROWN, LOAN ON MORTGAGE.				Cr.	
Dr.					
1899	£ s d	1899	£ s d	£ s d	£ s d
Apr. 30 To Estate Capital Account—	12 10 0	July 1 By Cash—Interest for ½ Year, less	24 3 4	24 3 4	
1900 Interest accrued and Loan ..	36 5 0	1900 Tax do. ..	24 3 4	24 3 4	
Apr. 30 „ Transfer to Income Account ..		Jan. 1 „ Do. .. do. ..	8 4	8 4	
		Apr. 30 „ Estate Capital Account—Pro-			
		portion of Tax			1,000 0 0
		„ Balance carried down			
1900	£48 15 0	„	£48 15 0	£1,000 0 0	
May 1 To Balance brought down	..		1,000 0 0		

S.S. "ALDENHAM."				Cr.	
Dr.					
1899	£ s d	1899	£ s d	£ s d	£ s d
Apr. 30 To Estate Capital Account— ²³ ths	..	Feb. 28 By Cash—Dividend £25 per Share	233 6 8	233 6 8	* 566 13 4
1900 valued at	7,000 0 0	Apr. 30 „ Balance carried down			6,433 6 8
Apr. 30 „ Income Account—Profit due to	233 6 8				
Widow					
	£233 6 8		£7,000 0 0	£233 6 8	£7,000 0 0
1900					
May 1 To Balance brought down	..		6,433 6 8		

* This being a wasting asset, only interest at 4 per cent. per annum should be credited to Income.

HOUSEHOLD FURNITURE.				Cr.	
Dr.					
1899	£ s d	1899	£ s d	£ s d	£ s d
Apr. 30 To Estate Capital Account	..		550 0 0		

A. 3.—(continued).

WANDA RAILWAY COMPANY.						Cr.
Dr.						
1899			1899			
Apr. 30	To Estate Capital Account—£1,500	£ s d	May 30	By Cash—Interim Dividend at 5 per cent.	£ s d	£ s d
1900	Stock at 150	2,250 0 0	Nov. 30	" Cash—1 Year's Dividend at 6 cent.	..	36 5 0
Apr. 30	" Income Account—Profit due to Widow	26 11 8	1900	" Balance carried down	26 11 8	16 18 4
			Apr. 30		..	2,196 16 8
					£26 11 8	£2,250 0 0
1900						
May 1	To Balance brought down	..				

JOINT STOCK BANK DEPOSIT ACCOUNT						Cr.
Dr.						
1899			1899			
May 30	To Cash	£ s d	June 30	By Cash Deposit withdrawn do.	£ s d	£ s d
June 30	" Income Account—Interest on Deposit	3,700 0 0	Aug. 28	" Do.	..	2,505 4 2
Aug. 28	" Do. do.	5 4 2			..	1,207 10 0
		7 10 0				£3,712 14 2
		£3,712 14 2				

A. 3.—(continued).

INCOME ACCOUNT.										Cr.					
Dr.															
					£	s	d						£	s	d
1899	To Cash—Money paid to Widow..				..	..	..	By Deposit Account—Interest on					..	..	..
May 23	" Do. do. do.				..	..	..	Deposit .. do. ..					..	..	5 4 2
Aug. 28	" Do. do. do.				..	..	..	" Do. ..					..	..	7 10 0
Nov. 30	" Do. do. do.				..	..	..								
1900	" Do. do. do.				..	..	..	" John Brown—Interest on Mort-					..	..	..
Feb. 28	" Do. do. do.				..	..	..	gage					..	..	36 5 0
								" s.s. <i>Aldenham</i> —Share of Profit					..	..	233 6 8
								" due to Widow ..					..	..	26 11 8
								" Wanda Railway—Share of Profit					..	..	48 6 8
								" due to Widow ..					..	..	..
								" W. Jones Mortgage—Share of					..	..	..
								Profit due to Widow ..					..	..	..
								" Wenton Corporation 3 per cent.					..	..	..
								Stock—Share of Profit due to					..	..	21 15 0
								Widow ..					..	..	126 0 10
								" Balance carried down ..					..	..	..
															£595 0 0
1900															
May 1	To Balance brought down ..				..	..	..								

A. 3.—(continued).

W. JONES—MORTGAGE ACCOUNT.				Cr.			
Dr.							
1899 July 1	To Cash—Mortgage on 8 West India Lane, Hampton ..	£	s d	1900 Jan. 1	By Cash— $\frac{1}{2}$ Year's Interest, less Tax ..	£	s d
1900 April 7	" Income Account—Profit due to Widow ..	..	48 6 8	Apr. 30	" Balance carried down ..	48 6 8	2,500 0 0
		£48 6 8	£2,500 0 0			£48 6 8	£2,500 0 0
1900 May 1	To Balance brought down ..	..	2,500 0 0				

WENTON CORPORATION STOCK ACCOUNT.				Cr.			
Dr.							
1899 Sept. 30	To Cash—£1,000 3 per cent. Stock at 105 ..	£	s d	1900 April 7	By Cash— $\frac{1}{2}$ Year's Dividend on £1,500 at 3 per cent. ..	£	s d
1900 Mar. 28	" Cash—£500 3 per cent. Stock at 107 ..	..	1,050 0 0	30	" Balance carried down ..	21 15 0	1,585 0 0
April 30	" Income Account—Profit due to Widow ..	..	535 0 0			..	
		21 15 0					
1900 May 1	To Balance brought down ..	£21 15 0	£1,585 0 0			£21 15 0	£1,585 0 0
		..	1,585 0 0				

A. 3.—(continued).

Dr.	1899	CASH BOOK.		Cr.
		£	s d	
April 30	To Estate Capital Account—Balance at this date	840	0 0	£ 22 10 0
May 25	„ Estate Capital Account—Received from Widow	15	0 0	..
30	„ Caledonian Insurance Company—Amount of Policy	3,563	0 0	37 10 0
June 30	„ Wanda Railway—Interim Dividend at 5 per cent., less Tax	36	5 0	18 0 0
July 1	„ Deposit Account—Amount withdrawn	2,505	4 2	11 0 0
July 1	„ John Brown—Interest on Mortgage, less Tax	24	3 4	1 0 0
Aug. 28	„ Deposit Account—Amount withdrawn	1,207	10 0	..
Nov. 30	„ Wanda Railway—A Year's Dividend at 6 per cent., less Tax	43	10 0	3,700 0 0
Jan. 1	„ John Brown—Interest on Mortgage, less Tax	24	3 4	2,500 0 0
Feb. 28	„ W. Jones—Interest on Mortgage, less Tax	48	6 8	25 0 0
April 7	„ s.s. <i>Alidenham</i> —Dividend of £25 per Share	800	0 0	700 0 0
	„ Wenton Corporation—A Year's Dividend at 3 per cent.	21	15 0	1,050 0 0
1900		£9,128	17 6	30 0 0
May 1	To Balance brought down ..	48	17 6	400 0 0
				535 0 0
				48 17 6
				£9,128 17 6

Q. 4.—On December 31st 1900, the books of the X Branch of Evans & Co., Oil Merchants, contain the following balances:—

Book Debts	£3,580 0 0	
Cash in hand	50 0 0	
Head Office Account		£3,750 0 0
Office Expenses	780 0 0	
Oil Account		870 0 0
Tank Cars, Horses, &c.	260 0 0	
	<u>£4,620 0 0</u>	<u>£4,620 0 0</u>

The Stock of Oil at the Branch amounted to £673.

Draft the necessary Journal entries to close the Branch books, and also the entries to be made in the books at the head office to incorporate the above.

A. 4.—

IN BRANCH BOOKS.

JOURNAL.	Dr.	Cr.
Stock Account	£ 673	£ s d
To Oil Account	0 0	673 0 0
Oil Account	780 0 0	
To Office Expenses	0 0	780 0 0
Oil Account	763 0 0	
To Head Office Account	0 0	763 0 0
Being Net Profit to date.		

IN HEAD OFFICE BOOKS.

JOURNAL.	Dr.	Cr.
X Branch Account	£ 763	£ s d
To Profit & Loss Account	0 0	763 0 0

(For further information on Branch Accounts *vide* Dicksee's "BOOKKEEPING FOR COMPANY SECRETARIES," pp. 22-36.)

Q. 5.—In preparing the Accounts of a Trust you find that a sum of money has been received by the Executors as the proceeds of a

sale of Railway Debenture Stock a short time prior to the payment of the interest on the Stock in question.

State the rule as to dealing with this as between Tenant-for-life and Remainderman.

Does the same rule apply to interest-bearing Stock purchased under similar conditions ?

A. 5.—The life-tenant would not be entitled to any portion of the proceeds of the realisation of the investment, and in the same way would be entitled to whatever might be received from time to time by way of dividend in respect of interest-bearing stocks subsequently purchased. The rule is that there is never any apportionment except where there is a change in the ownership of the income—*i.e.*, when a life-tenant is succeeded by another life-tenant, or by a remainderman, there is an apportionment of all income due up to the date of such succession ; but at no other time.

Q. 6.—Walters & Co. consign a shipment of goods to Roy & Co., their agents in Dublin, on 30th January 1901, and draw upon them at six months for £1,000. They discount the acceptance with their Bankers on February 15th 1901, paying £13 15s. for discounting. On 28th February 1901 Roy & Co. advise that they have paid £33 for freight and landing charges on the consignment. On 30th April 1901 Roy & Co. remit £500 on account of proceeds, and on 28th July 1901 they intimate that the gross sales have amounted to £1,340, and enclose debit note for commission at $2\frac{1}{2}$ per cent. on that amount.

Walters & Co. retire Roy & Co.'s acceptance at maturity.

Show, by means of Ledger Accounts, how the foregoing transactions should be recorded in Walters & Co.'s books.

A. 6.—

Dr.		Roy & Co.				Cr.	
1901		To Consignment Account—Sale of Goods ..	£	s	d	1901	
July 28		• Cash in Payment of Bill Receivable ..	..			Jan. 30	By Bills Receivable ..
Aug. 3			..			Feb. 28	• Consignment Account—Freight and Landing ..
						July 28	• Consignment Account—2½ per cent. Commission on Sales ..
						Aug. 3	• Balance carried down ..
							£1,840 0 0
1901							
Aug. 3		To Balance brought down ..	..				
Dr.		BILLS RECEIVABLE.				Cr.	
1901		To Roy & Co. ..	£	s	d	1901	
Jan. 30			£	s	d	Feb. 15	By Cash and Discount ..
			1,000	0	0		£ s d
			..				1,000 0 0

A. 6. — (continued).

PROFIT AND LOSS ACCOUNT.				
Dr.		1901 Aug. 3	By Consignment Account ..	Cr. £ s d
				473 10 0

CASH BOOK.				
Dr.		1901 Aug. 3	By Roy & Co. for Bill: Receivable.. " Balance carried down ..	Cr. £ s d
1901 Feb. 15 To Bills Receivable	£ s d 13 15 0	£ s d 986 5 0		£ s d 1,000 0 0
Apr. 30 " Consignment Account (per Roy & Co.)	..	500 0 0		486 5 0
	£13 15 0	£1,486 5 0		£1,486 5 0
1901 Aug. 3 To Balance brought down ..	..	486 5 0		

TRIAL BALANCE, August 8 1901.

	£	s	d	£	s	d
Roy & Co.	..	..	..	773	10	0
Discount	..	..	..	13	15	0
Goods	..	..	..	1,000	0	0
Profit and Loss Account	..	..	..	273	10	0
Cash Book	..	..	..	486	5	0
				£1,473	10	0

Q. 7.—From books kept by single-entry you extract the following as at 30th June 1901:—

Capital	£3,850
Due from Customers	6,970
Cash in hand	54
Stocks (as per stock sheets)	2,790
Fixtures, Fittings, and Utensils	570
Creditors	2,760
Bank Overdraft	970
Bills Payable	340
Goods supplied to private residence	260

The amount of the Capital above mentioned you find to be the balance after the sums of £300 for drawings and £250 for salary have been debited.

Prepare an account showing the profit earned during the year ended 30th June 1901.

A. 7.—

STATEMENT OF ASSETS AND LIABILITIES, 30th June 1901.

	£	s	d		£	s	d
Bills Payable	340	0	0	Fixtures, Fittings, and Utensils	570	0	0
Sundry Creditors.. .. .	2,760	0	0	Stock in Trade	2,790	0	0
Bank Overdraft	970	0	0	Sundry Debtors	6,970	0	0
Balance, being Capital as at this date	6,314	0	0	Cash in hand	54	0	0
	<u>£10,384</u>	0	0		<u>£10,384</u>	0	0
Amount of Capital on 1st July 1900	4,400	0	0	Balance brought down	6,314	0	0
Balance, being net profit for the year (after deducting £250 for Proprietor's Salary) ..	2,474	0	0	Drawings	300	0	0
	<u>£6,874</u>	0	0	Goods supplied to Private Residence	260	0	0
					<u>£6,874</u>	0	0

Q. 8.—What are the provisions of the Apportionment Act, 1870?

A. 8.—

“VII.—APPORTIONMENT.

“The Apportionment Act, 1870 (33 & 84 Vic. cap. 35), provides that all rents, annuities, dividends, and other periodical payments

in the nature of income shall, like interest on money lent, be considered as accruing from day to day, and shall be apportionable in respect of time accordingly. The word dividend, besides dividends strictly so-called, is declared to include all payments made by way of dividends, bonus or otherwise, out of the revenue of trading or other public companies, whether such payments shall be usually made or declared at any fixed times or otherwise.

“This Act applies to specific legacies, and that portion of the dividend upon a specific investment which accrued prior to the death of the testator would be capital of his estate, and only that portion which accrued after his death would belong to the legatee.

“Where, however, such a payment does not accrue from day to day, or does not fall within the Act, and cannot be said to have been earned during any specific portion of the period of time, then it must be treated as income accrued due on the date when *ascertained*, irrespective of when it is payable, and it is capital or income accordingly. For example, the profits of the voyage of a single ship are not made till the voyage is complete, and the whole profit would be capital or income according to whether the voyage was completed before or after the death.

“A private partnership, though it calls the profits which it distributes dividends, and pays them at regular intervals, is not within the Act. On the other hand, the profits derived from a public company, though paid at irregular intervals, are within the Act—unless capitalised by the company. The Court has said that, without laying down a specific rule as to what is and what is not a public company, one of the *indicia* by which a public company may be known is the power to transfer shares, and it has held that an insurance company incorporated with a deed of settlement, but not registered, by which the partners were entitled to transfer their shares as of right, was a public company.

"The Act does not apply to cases of changes of investment during the continuance of a trust, and in the case of a purchase of stock the whole of the next dividend is income, and in the case of sale the whole proceeds are capital.

"The most recent authority as to whether a *bonus* is capital or income is the case of *Bouch v. Sproule*, decided in the House of Lords 13th June 1887. The testator Bouch, whose estate consisted partly of shares in the Consett Iron Company, had left the income to his widow for life, and the capital to B. on her death. At a given date (during the life of the widow) the reserve fund stood at £100,000, and there was £43,316 to the credit of Profit and Loss Account. The directors proposed that the reserve fund and £38,000 of the £43,316 (making £138,000) should be distributed as a bonus dividend of £2 10s. per share (on the 55,200 shares of the company), equal to £7 10s. in respect of every three existing shares, and that there should be created 18,400 new shares with £7 10s. per share payable concurrently with the payment of the bonus dividend; that each holder of three existing shares should have one new share allotted to him, and that the bonus dividend and the call of £7 10s. per new share should be made payable on the same day. Resolutions to this effect were duly passed, and the transaction was carried out. The question then arose whether the shares allotted to the representatives of Bouch belonged to the widow as income or formed an addition to the capital of the estate.

"The Court unanimously decided that they were capital.

"Lord Herschell said that the only ground upon which to act in such cases was well expressed by Lord Justice Fry in the Court of Appeal—"When a testator or settlor directs or permits the subject of his disposition to remain as shares or stocks in a company which has the power either of distributing its profits as dividend or of converting them into capital, and the company validly exercises this power, such exercise of its power is binding

on all persons interested under the testator or settlor in the shares, and consequently what is paid by the company as dividend goes to the tenant-for-life, and what is paid by the company to the shareholders as capital, or appropriated as an increase of the capital stock in the concern, enures to the benefit of all who are interested in the capital.' He proceeded to say that where a company has power to increase its capital and appropriate its profits to such increase, it could not be considered as having converted any part of its profits into capital when it made no such increase, even if a company which had no power to increase its capital might be regarded as having thus converted profits into capital by the accumulation and use of them as such.

"Passing on to the question whether the company did distribute the accumulated profits as dividend or convert them into capital, he remarked upon the fact that the new capital paid up was exactly equal to the amount of profits to be distributed, and said it was obviously contemplated and was practically certain that all the shareholders would fall in with the arrangement, and that no money would in fact pass. He considered that the company did not pay, or intend to pay, any sum as dividend, but intended to and did appropriate the undivided profits dealt with as an increase of the capital stock of the concern."

(The above answer is reproduced from "THE STUDENT'S GUIDE TO EXECUTORSHIP ACCOUNTS," by Mr. Roger N. Carter, A.C.A.)

Q. 9.—The Trustee of Frederick Morgan's Estate, in which the widow of the deceased had a life interest, advanced £2,000 on property valued at £3,000.

The half-year's interest at 5 per cent. not being paid on 30th June 1897, the Trustee took possession of the property, which was unoccupied, and remained so till 1st July 1898. During the year

the sum of £38 was paid for ground rent, and £95 for repairs and advertising the property for sale.

The property was let on 1st July 1898 at £100 a-year, and sold on 31st December 1899, the payments during the interim being ground rent £57, repairs, &c., £30.

The proceeds of the sale amounted to £2,100, less £50 expenses.
Prepare an account as between Capital and Income.

A. 9.—

ESTATE CAPITAL ACCOUNT.					Cr.
Dr.		£	s	d	
1899 Dec. 31	To Mortgage Account—Share of Loss on Investment	..	306	1 9	
MORTGAGE ACCOUNT.					
Dr.		£	s	d	Cr.
1897 Jan. 1	To Cash, Advanced on Mortgage ..	..	2,000	0 0	£ s d 150 0 0
1898 June 30	" " Ground Rent & Repairs..	..	133	0 0	2,050 0 0
1899 Dec. 31	" " Do.	..	87	0 0	320 0 0
" "	" " Income Account, 3 years' int. on £2,000 at 5 per cent.	..	300	0 0	
			£2,520	0 0	£2,520 0 0
1899 Dec. 31	By Balance brought down	..	320	0 0	13 18 3
					306 1 9
			£320	0 0	£320 0 0
		</			

Q. 10.—Thomas Sanderson by his Will bequeathed the residue of his estate between his sons in the following proportions :—John, 5-11ths; William, 4-11ths; and Henry, 2-11ths; but directed that the share of the latter should be invested in the names of Trustees till he attained his majority. During his lifetime the testator had advanced sums of £2,100 to John and £1,700 to William, which were to be brought into account when making the division. The total of the estate (all of which was in cash) available for distribution amounted to £37,000. The Executors having asked you to prepare the account, you are requested to address to them a *short* letter setting forth the share of each son.

A. 10.—The report might be in the following form :—

To

THE EXECUTORS OF THOMAS SANDERSON (*deceased*).

DEAR SIRS,

We beg to report that, in accordance with your instructions, we have made up the accounts kept by you as executors of this estate, and find the position to be as follows :—

The net amount available for distribution is £37,000. Certain sums, however, were advanced by the testator during his lifetime, namely, £2,100 to his son John, and £1,700 to his son William. These sums must be added to the amount in hand for the purpose of arriving at the total sum divisible among the sons of the deceased, which then amounts to £40,800. This £40,800 is, under the terms of the will, divisible as follows :—

John Sanderson, $\frac{5}{11}$ ths	...	...	£18,545	9	1
Wm. Sanderson, $\frac{4}{11}$ ths	...	...	14,836	7	3
Henry Sanderson, $\frac{2}{11}$ ths	...	...	7,418	3	8
			£40,800	0	0

From the shares of the two first-named must be deducted the advances made to them during their father's lifetime, leaving the following sums now due :—

John Sanderson	...	...	...	£16,445	9	1
Wm. Sanderson	...	...	...	13,136	7	3
Henry Sanderson	...	...	...	7,418	3	8
				<u>£37,000</u>	<u>0</u>	<u>0</u>

We are, dear Sirs,

Yours faithfully,

_____.

AUDITING.

Q. 1.—Is the balance of A. B.'s Account with his Bankers, as shown in the Banker's Pass Book, sufficient evidence of the accuracy of the figures? If you think it is, state why. If not, what else would you require?

A. 1.—Speaking generally, it is not sufficient evidence, because the Pass Book produced may be a forgery. It should, therefore, be supported by the bankers' certificate as to the amount of the balance, unless the auditor has himself obtained the Pass Book from them. In the case of a private audit, however, when the accounts are not formally certified, this protection might be relaxed if the auditor had the client's assurance that he personally had obtained the Pass Book from the bankers.

Of course, the balance shown by the Pass Book may not be the actual balance appearing in the Cash Book, as cheques may be outstanding, and country cheques and bills paid in shortly before balancing may not have been credited.

Q. 2.—In closing the account of a Firm or Company for a period, provision is often made for discounts deducted from Debtor's Accounts upon settlement. On the other hand you, as Auditor, frequently find that no such provision has been made. Give arguments for or against making such provision.

A. 2.—The arguments in favour of allowing for Outstanding Discounts are :—

(1) It is undesirable to treat as an asset a sum in excess of what it is expected will eventually be received.

(2) If any Cash Discounts are allowed in a subsequent period which have not already been reserved for, a loss will occur in

that period ; whereas whatever loss occurs ought to be set-off against the profit that has been taken credit for in respect of these particular transactions.

On the other hand it may be argued :—

(1) That Cash Discount is given for the convenience of obtaining payment at a particular date, that the advantages of obtaining payment will only then accrue, and that consequently the concession made to obtain these advantages need not be charged up against profits until the advantages themselves are obtained.

(2) It is simpler to deal with the Discounts as they arise.

Speaking generally, it seems better to make full provision for Cash Discounts on Outstanding Debtors and Creditors, especially if the net result be a debit. But if the Discounts received exceed those allowed, it is probably more prudent to postpone taking credit for the profit until it has been actually received ; more especially if there is any doubt as to whether the creditors' accounts will be paid sufficiently promptly to enable the Cash Discounts to be taken.

Q. 3.—A Company makes extensive alterations to Plant in one of its financial years. The Directors are divided in opinion as to whether to consider the outlay made on account of Capital or of Revenue ; and, if the latter, as to charging the whole expenditure to that year or carrying a portion of it to a Suspense Account, to be spread over a few years. You are invited, as the Auditor of the Company, to advise the Board upon the points raised. What considerations would guide you in giving an opinion ?

A. 3.—The best course to pursue would undoubtedly be to have an independent valuation made of the plant as altered. If the book-value of the plant, *plus* the cost of alterations, exceeds the amount of this valuation, the difference should be written off ; but although this difference is a revenue item, it may well be said to be not fairly chargeable against the profits

of any one year. Unless, therefore, it can be conveniently written-off forthwith, it might properly be debited to a Suspense Account and spread over a few years. The main consideration that should guide the auditor in the matter is that the plant ought not to appear in the Balance Sheet at a figure in excess of its value.

Q. 4.—If the proposition of the Chancellor of the Exchequer to raise the stamp value on cheques and similar instruments from one penny to two pence had become law, how would such change have affected you in your work as Auditor?

A. 4.—Had the duty been increased, it would no doubt have tended to increase the number of small payments made in cash instead of by cheque. This would throw upon the auditor the duty of being additionally careful as to the vouching of the various payments, and as to the verification of the large cash balances that would sometimes have to be kept in hand. Moreover, in the case of books which had not been ruled so as to provide for cash receipts being retained in hand and used for the purpose of making payments, considerable confusion might readily arise, and it would probably devolve upon the auditor to modify the system of accounts in force so as to meet the new requirements. In so far as lay in his power, however, he would impress upon those concerned the extreme undesirability of not making all payments by cheque, even if the extra cost in stamps were considerable.

Q. 5.—Describe your work as Auditor of a Building Society, so far as it relates to the securities held for advances and investments, and state the facts to which you have to certify in the "Certificate of Auditors."

A. 5.—Under the Building Societies Act, 1894, the Auditors' Certificate is as follows:—

" We, the undersigned being a person who publicly carries on business as an accountant at No. Street, and , residing at , the duly appointed auditors of the above-named Society, do hereby attest the following accounts and statements, and certify that they are correct, duly vouched, and in accordance with law ; and we certify that we have, and each of us has, at this date actually inspected the Mortgage Deeds and other securities belonging to the Society in respect of each of the properties in mortgage to the Society referred to in the foregoing accounts and statements."

The various deeds and securities must all be produced simultaneously, and should all be verified by the auditors before any of them are allowed to go out of their possession. In the case of Mortgage Deeds it is important that the auditor should also see that there are Title Deeds *prima facie* in order, and giving a title to the property named in the name of the mortgagor. As this involves a somewhat intricate enquiry, it is usual for the various sets of deeds, when once examined, to be placed in separate envelopes endorsed with their contents, and if these are sealed by the auditors with their own seals, it will be sufficient when the next audit comes round for them to see that the seals are unbroken—of course, carefully verifying the contents of those packages which have had to be opened in the meantime.

Q. 6.—A Railway Station, built in 1850, was demolished in 1900 to make way for a larger and more convenient station required by increased traffic and modern improvements. No depreciation fund had been raised. The old station cost £50,000—the new one £250,000; the materials of the demolished station realised £5,000; while the estimated cost to rebuild the old station on the same plans was £75,000. How would you, as Auditor, consider the matter should be treated in the books of the Railway Company? and give your reasons.

A. 6.—Anything in excess of £250,000 must be charged against revenue under the heading of “Repairs of Stations and Buildings.” The amount so chargeable in this case will be £45,000, being the cost of the old station *less* the amount realised on the sale of old materials. Probably, however, some reserve will have been made which will prevent the whole of this £45,000 falling against the profits of any one year.

Q. 7.—Give a definition of the “Divisible Profits of a Company” which would, in small compass and generally, express your views and guide you in your auditing duties.

A. 7.—The “divisible profits” of a company are those profits which it is legal to distribute among the shareholders by way of dividend. The exact definition depends upon the constitution of each particular company; but, in general, it may be stated that profits are divisible which have been earned in the ordinary course of the business carried on, and have either been actually realised, or are of such a nature that there is every reasonable expectation that they will be realised in due course.

(For further information *vide* Dicksee’s “AUDITING,” Chap. VIII.)

Q. 8.—The following Balance Sheet of the Wasting Assets Company, Lim., as on December 31st 1901 was issued to the Shareholders of the Company with the Auditor’s Certificate and Report (as required by Section 23 of the Companies Act, 1900) in its favour:—

Dr.				BALANCE SHEET, 31st Dec. 1901.				Cr.			
To Share Capital,				By Buildings, Plant,							
Nominal,				and Machinery at							
<u>£100,000</u>				Cost				£60,000 0 0			
, Subscribed and Paid				,, Stock and Materials							
£75,000 0 0				as certified by the							
,, Sundry Creditors ..				Manager				20,000 0 0			
.. 20,000 0 0				,, Sundry Debtors ..				15,000 0 0			
Bankers				,, Profit and Loss Ac-							
15,000 0 0				count				15,000 0 0			
<u>£110,00 0 0</u>								<u>£110,000 0 0</u>			

The Company went into liquidation on January 1st 1902 under a Compulsory Order for winding-up, and the Official Receiver reported that the value of the Fixed Assets had not been depreciated in the books of the Company since their erection in 1880; that the stock and materials only existed to the extent of £2,000 at ordinary stocktaking values; and that of the £15,000 Debtors, £5,000 were three and more years old and utterly bad, and another £5,000 exceedingly doubtful and probably worth 10s. in the £. Do you think the Auditor did his duty in reporting that the above Balance Sheet had been "properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, as shown by the books of the Company"? If you think he did his duty, state why you think so. If not, state where he failed in his duty, what you would have done in conducting the audit, and what report you would have given upon the Balance Sheet.

A. 8.—It is very questionable whether a company is obliged to write down its fixed assets, and in view of the decisions in *Wilmer v. McNamara, in re Kingston Cotton Mills, &c.*, it would be hard to blame the auditor. He should, however, have reported to the shareholders that nothing was being written off for depreciation. With regard to the Stock-in-trade and Book Debts, as to whether or not the auditor failed in his duty depends primarily upon whether he took reasonable steps to satisfy himself of the correctness of the items stated in the Balance Sheet, and whether he actually believed them to be correct.

With regard to the Stock-in-trade, he would probably be protected by the decision in the *Kingston Cotton Mills* case, if he really believed the manager's certificate to be an honest one. But a prudent auditor would naturally employ all available means of testing the accuracy of this item, by comparison with previous inventories, and by testing the percentage of Gross Profit shown during different periods.

With regard to the Debtors, the total amount not being large,

it would appear to have been the duty of the auditor to examine these more or less in detail. Had he done so, he ought to have ascertained that one-third of them were upwards of three years old, which would certainly have *prima facie* suggested that some provision should be made for bad and doubtful debts. So long as customers' accounts are "moving," an auditor has practically no means of ascertaining whether the unliquidated balance is good or bad; but if accounts have been "dead" for years they must at least be doubtful, and the auditor should, it is thought, have drawn attention to the matter, unless he was fully satisfied in his own mind that sufficient provision had been made for possible loss.

Q. 9.—By the Companies Act, 1900, Section 12 (Sub-section 3), it is enacted that the Directors' Report to be issued to the shareholders before the first statutory meeting of a Company "shall, so far as it relates to the shares allotted by the Company, and to the cash received in respect of such shares, and to the receipts and payments of the Company on Capital Account, be certified as correct by the Auditors, if any, of the Company." How would you, as an Auditor, interpret the phrase "on Capital Account"?

A. 9.—It is thought that the "receipts" of the company on capital account comprise all moneys received in respect of Shares and Debentures (including premiums), although there is a difference of opinion as to whether debenture moneys should be included. The "payments" on capital account would be the payments made by the company for, or on account of, the purchase of the undertaking acquired, and would no doubt also include preliminary expenses. Or, to put it in another way, all payments would be on capital account that were not revenue items.

Q. 10.—On January 1st 1897 a Firm of Engineers and Bridge-builders obtained a contract for a bridge to be completed in three

years—which was to cost £100,000, and upon which they expected to reap a net profit of £10,000. In 1897 they received advances (upon certificate) of £30,000, in 1898 of £30,000, and the balance of the contract in 1899. Would you, as an Auditor, approve of any of the profit being credited to the years 1897 and 1898, and, if so, how much?

A. 10.—It seems unlikely that so large a contract would be taken as a whole ; but if it were, then no profit should be taken credit for until it is abundantly clear that it has actually been earned. Until, therefore, it is possible to arrive at a reliable outside estimate of what it will cost to complete the contract, only the cost up to date should be treated as an asset, and no “loading” added for estimated profit. As soon, however, as the original estimate of the cost can be actually checked, a minimum estimated profit may be arrived at which may properly be spread over the whole term occupied in completing the contract in the same proportions as were calculated in the original estimate.

(For further information *vide* Dicksee's “AUDITING,” pp. 167-9).

BOOKKEEPING AND ACCOUNTS**(INCLUDING PARTNERSHIP ACCOUNTS).**

Q. 1.—Prepare in tabular form, a Purchase and Expenditure Book (or Bought Journal) for classifying the invoices and charges incidental to the outgoings of a business. Insert specimen entries.

A. 1.—

BOUGHT JOURNAL.

	No. of Invoice		Total	Sugar	Brewery Sundries	Hops	Malt	Repairs	Wines and Spirits	Capital Expenditure	Sundries	
			£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	A/c.	Fol.
1900 Jan. 1	1	W. Jones, Sugar ..	B.L. 50 0 0	50 0 0								
3	2	C. Johnson, 12 grs. Barrel Corks	B.L. 24 0 0	..	24 0 0							
4	3	H. Brown, 2 pockets Hops ..	B.L. 50 0 0	..	..	50 0 0						
"	4	G. Smith, 12 doz. Whisky ..	B.L. 20 0 0	..	..	..	..	..	20 0 0			
6	5	H. Williams, Gas Engine ..	B.L. 100 0 0	..	..	..	..	..	..	100 0 0		
8	6	H. Welford, Repairs to Office	B.L. 25 0 0	..	..	..	..	25 0 0	..			
"	7	G. Smith, 12 doz. Sherry ..	B.L. 15 0 0	..	..	..	..	..	15 0 0			
10	8	H. Thomas, 1 Dray ..	B.L. 16 0 0	..	..	..	..	..	..	16 0 0		
12	9	G. Henry, 8 grs. Grain ..	B.L. 10 0 0	..	..	..	10 0 0	..	..			
			£ 310 0 0	£ 50 0 0	£ 24 0 0	£ 50 0 0	£ 10 0 0	£ 25 0 0	£ 35 0 0	£ 116 0 0		

P.L. 1 P.L. 20 P.L. 30 P.L. 40 P.L. 100 P.L. 150

Q. 2.—Prepare, also in tabular form, a Sales Book (or Sold Journal) for classifying the Sales.
Insert specimen entries.

A. 2.—

SALES JOURNAL.

		Total	Beer	Ale	Bottles	Wine and Spirits	Mineral Waters
		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
1900							
Jan. 1	H. Cummings, 1 Barrel Beer...	3 0 0	3 0 0				0 10 0
" 2	G. Brown, 12 doz. Ginger Beer	2 10 0	..	..	..		
"	W. Smith, 12 doz. Bottled Beer	2 0 0	..	1 10 0	1 0 0		
"	G. Hall, 1 doz. Whisky	2 0 0	..	..	..	2 0 0	
"	H. Cummings, 1 Barrel Stout..	5 0 0	5 0 0				
		£3 0 0	£8 0 0	£1 10 0	£1 0 0	£2 0 0	£0 10 0
			P.L. 84	P.L. 92	P.L. 69	P.L. 100	P.L. 97

Q. 3.—Prepare a form of Cash Book with columns as under :—

Debit side :—Receipts from Customers.

Discounts allowed.

Ready Money Sales.

Private Ledger Accounts.

Bank.

Credit side :—Bought Ledger Accounts.

Discounts deducted.

Petty Cash.

Private Ledger Accounts.

Bank.

Insert specimen entries.

A. 3.—

Dr.

CASH.

			Discount	Receipts from Customers	Ready Money Sales	Private Ledger Accounts	Bank
			£ s d	£ s d	£ s d	£ s d	£ s d
1900							
Jan. 5	To H. Cummings	I	0 3 0	2 17 0			
		P.L.					
7	" Cash Sales	I	..	..	20 0 0		
"	" Old Engine (Capital) ..	I	..	..	..	20 0 0	
"	" Bank (Week's receipts)		..	..	..	..	42 17 0
31	" Balance carried down		..	..	..	..	34 13 0
			0 3 0	2 17 0	20 0 0	20 0 0	77 10 0
			P.L. 9I		P.L. 112		

CONTRA.

Cr.

			Discount	Bought Ledger Accounts	Petty Cash	Private Ledger Accounts	Bank
			£ s d	£ s d	£ s d	£ s d	£ s d
1900							
Jan. 5	By W. Jones	I	2 10 0	47 10 0	..	..	47 10 0
		PCB.					
7	" Petty Cash	I	..	..	10 0 0	..	10 0 0
10	" Drawings	I	..	..	..	20 0 0	20 0 0
			2 10 0	47 10 0	10 0 0	20 0 0	77 10 0
			P.L. 9I				
1900							
Feb. 1	To Balance brought down		..	..	..	..	34 13 0

Q. 4.—Illustrate the process by which you would utilise the entries you have made in Questions 1, 2, and 3, as part of a complete Double-entry system of Accounts, and properly balance the figures.

A. 4.—The totals of the several purchases invoices would be posted to the respective accounts of the creditors in the Bought Ledger, and the totals of the various Analysis columns to the debit of the corresponding Nominal Accounts in the Private Ledger. The totals of the various sales invoices would be debited to the respective customers in the Sold Ledger, and the totals of the Analysis columns of that book credited to the corresponding Nominal Accounts in the Private Ledger. The items entered in the first two columns on the debit side of the Cash Book would be posted to the credit of the corresponding accounts in the Sold Ledger; the next two columns would be posted to the credit of the Private Ledger; while the Bank column upon both credit and debit sides would be treated as a Ledger Account, showing a balance. On the credit side the first two columns would be posted to the debit of the Bought Ledger, and the second two to the Private Ledger.

Q. 5.—Assuming that the operations of the business involve a large number of Accounts, show how you would further utilise the same entries so that the Bought Ledger, Sold Ledger, and Private Ledger systems would balance separately.

A. 5.—Tabular books readily lend themselves to a system of self-balancing Ledgers. All that becomes necessary is to open Adjustment Accounts in the Bought, Sold, and Private Ledgers, and to post thereto as follows:—

PRIVATE LEDGER ADJUSTMENT ACCOUNT IN THE BOUGHT LEDGER:

Debit monthly totals of Purchases.

Credit monthly totals of first two columns on credit side of Cash Book.

PRIVATE LEDGER ADJUSTMENT ACCOUNT IN SOLD LEDGER :

Credit monthly totals of Sales Book.

Debit monthly totals of first two columns on debit side of Cash Book.

BOUGHT LEDGER ADJUSTMENT ACCOUNT IN PRIVATE LEDGER :

Credit monthly totals of Bought Journal.

Debit monthly totals of first two columns on credit side of Cash Book.

SOLD LEDGER ADJUSTMENT ACCOUNT IN PRIVATE LEDGER :

Debit monthly totals of Sales Book.

Credit monthly totals of first two columns on debit side of Cash Book.

By this means every transaction appearing in either the Bought or the Sold Ledger will be recorded once upon each side, while every transaction of whatsoever description will be recorded (either in detail or in total) upon both sides of the Private Ledger.

Q. 6.—Amongst the Assets acquired by a Limited Company on its formation were Freehold and Leasehold premises. A value of £10,000 was placed on the Freehold, but as regards the Leasehold it was considered advisable to provide a reserve of £1,000 to meet dilapidations at the determination of the lease. In the Balance Sheets these Assets were described as "Freehold and Leasehold Premises, £9,000."

With the consent of the Landlord, the Company sold the Leasehold premises for £1,500.

How would you treat the transaction in the Books, and how would the next Balance Sheet be affected?

A. 6.—Apparently the company started with the assumption that the Leasehold Premises were worth *minus* £1,000, but afterwards was able to sell them for £1,500. There is thus a

difference of £2,500 in the nature of profit. Whether this profit is legally distributable depends upon the Company's Articles of Association. Probably, however, the Company's powers would be sufficiently wide for it to be held that such a profit arises legitimately out of the carrying on of its business. At the same time, the best way would be to in the first place transfer the £2,500 to the credit of Reserve Fund, writing *up* the Freehold Premises to their original value of £10,000. If, then, the shareholders decided to apply the Reserve Fund towards an increase of dividend, they would at least be fully advised of the position of affairs and how the profit arose.

Q. 7.—A. and B. are Partners taking profits in proportion to their Capital. The amounts to their credit after dividing £4,096, the last year's profits, are A. £26,752, and B. £12,160.

More working Capital being required they agreed to admit C. to a share of the Partnership.

C. is to bring in cash for Goodwill, equal to 50 per cent. of the last years' profits, and such cash is to be credited to the Capital Accounts of A. and B. in their respective proportions.

C. is further to bring in cash equal to one-third of the total capital of A. and B.

You are instructed to prepare Accounts showing the effect of the agreement and to state the proportionate share which each Partner will start with in the new Partnership.

A. 7.—

Dr.	A.—CAPITAL ACCOUNT.		Cr.	
	£	s d	£	s d
			By Balance	26,752 0 0
			" Cash, $\frac{1}{3}$ share of price of	
			Goodwill	1,408 0 0
				<u>£28,160 0 0</u>

A. 7.—(continued).

Dr.	B.—CAPITAL ACCOUNT.		Cr.
	£	s d	£ s d
			By Balance 12,160 0 0
			" Cash, $\frac{1}{3}$ share of price of Goodwill 640 0 0
			<u>£12,800 0 0</u>

Dr.	C.—CAPITAL ACCOUNT.		Cr.
	£	s d	£ s d
			By Cash <u>13,653 6 8</u>

Dr.	SUNDRY ASSETS.		Cr.
To Sundries	£	s d	£ s d
	<u>38,912</u>	0 0	

Dr.	CASH BOOK.		Cr.
To Cash, for Purchase of Goodwill:—	£	s d	£ s d
$\frac{1}{3}$ £2,048 to A., Capital Account .. £1,408 0 0			
$\frac{1}{3}$ £2,048 to B., do. 640 0 0			
	2,048	0 0	
* Cash, Capital brought in by C.	13,653	6 8	

NOTE.—C.'s Capital has been reckoned on the assumption that the agreement to bring in one-third of the *total* Capital of A. and B. refers to their Capital after the adjustment for Goodwill has been made.

The Capitals are:—A., £28,160 0 0
 B., 12,800 0 0
 C., 13,653 6 8

These proportions work out at—A., $\frac{2}{3}$ ths; B., $\frac{1}{3}$ ths; C., $\frac{1}{3}$ ths.

Q. 8.—The following is a list of Balances of a Partnership business as on March 31st 1902 :—

Dr.

Partners' drawings :		£	s.	d.
W. Allport, June 30th 1901	..	600	0	0
E. Edwards, September 30th 1901	..	550	0	0
A. Smith, December 31st 1901	..	600	0	0
A. Smith's Capital Account as at				
March 31st 1901	.. ..	1,090	0	0
Salaries	.. ..	1,125	0	0
General Expenses	.. ..	640	0	0
Bad Debts	.. ..	141	0	0
Discounts	.. ..	310	0	0
Rent, Rates, and Taxes	.. ..	650	0	0
Stock, March 31st 1902	.. ..	5,116	0	0
Lease and Cost of extra premises	..	1,786	0	0
Book Debts	.. ..	5,860	0	0
Bills Receivable	.. ..	1,290	0	0
Cash at Bank and in hand	.. ..	4,172	0	0
		<u>£28,990</u>	<u>0</u>	<u>0</u>

Cr.

W. Allport, Capital Account	..	7,470	0	0
E. Edwards, Capital Account	..	6,900	0	0
Lease Renewal Fund, being £50				
per annum, with Interest at 5				
per cent. for 12 years to March				
31st 1901	.. ..	796	0	0
Reserve for Bad Debts, as at March				
31st 1901	.. ..	272	0	0
Reserve for Discounts, as at March				
31st 1901	.. ..	136	0	0
Sundry Creditors	.. ..	1,216	0	0
Gross Profit Account	.. ..	7,140	0	0
		<u>£28,990</u>	<u>0</u>	<u>0</u>

Calculate interest on Capital and Drawing Accounts at 5 per cent.

Bring up Bad Debt Reserve to 5 per cent. on Debts and Bills Receivable.

Bring up Discount Reserve to $2\frac{1}{2}$ per cent. on Debts and Bills Receivable.

Increase Lease Renewal Fund for the 13th year

Reserve for one Quarter's Rent at £600 per annum, less Income Tax, Schedule A, for the year to date already paid.

Credit A. Smith for extra services, £200.

Divide balance of net profit in equal shares.

Draw up Balance Sheet.

A. 8.—(continued).

Dr. PROFIT AND LOSS ACCOUNT for the year ended 31st March 1902. Cr.

1902 March 31		£ s d	£ s d	1902 March 31	By Gross Profit	£ s d	£ s d
	To Salaries ..	1,123 0 0					7,140 0 0
	" General Expenses ..	640 0 0					
	" Rent, Rates and Taxes ..	795 5 0					
	" Interest on Capital ..	376 10 0					
	" Discounts ..	356 15 0					
	" Bad Debts ..	226 10 0					
	" Lease Renewal Fund ..	89 16 0					
	" Bonus to A. Smith for extra services ..	200 0 0					
			4,001 16 0				
	" Net profit for year divisible thus—						
	W. Alport, one-third	1,046 1 4					
	E. Edwards "	1,046 1 4					
	A. Smith "	1,046 1 4					
			3,138 4 0				
			<u>£7,140 0 0</u>				<u>£7,140 0 0</u>

Q. 9.—A Colliery Company acquires 100 railway wagons on what is known as the Hire-Purchase System. Payment has to be made by annual instalments to include principal and interest.

Pending the payment of the final instalment, how will you treat the Wagon Account in the Books, and show this Asset of the Company from year to year?

A. 9.—It is necessary to ascertain either the “cash value” of the wagons, or the rate of interest that is charged in consideration of payment being deferred. Either of these being known, the other can be readily calculated, given the number and amount of the instalments.

The cash value, the rate of interest, and the amount of the instalments being known, it becomes a simple matter to calculate the interest charged from time to time on the unpaid balance. This must be charged against Revenue, and any excess of the instalments over the interest so chargeable may properly be debited to a “Wagons on Hire-Purchase Account,” representing the interest acquired by the colliery company in the wagons. This (increasing) amount will appear in succeeding Balance Sheets as an asset, but due provision must, of course, be made for depreciation.

(For further information *vide* Dicksee's “AUDITING,” pp. 175-189.)

Q. 10.—Give a short description of a system of “Cost Accounts” which will enable a manufacturer to ascertain approximately the cost price of each of his products, and give your definition of “On cost.”

A. 10.—Cost Accounts are, broadly speaking, of two kinds. They either aim at showing the cost of producing an article in great detail, the accounts being taken at frequent intervals for purposes of comparison; or they aim at so analysing the total

costs of a short period that the amount of those costs chargeable against each article produced may be ascertained, and the financial results of such production thus be shown.

To the first class belong the systems of Cost Accounts employed by Collieries, Ironfounders, Gas Companies, and the like; while under the second class come the Cost Accounts of Contractors of all descriptions.

The accuracy of either system depends upon the completeness with which the various items of expenditure are divided into separate headings, and the expenditure under each heading analysed and allocated to its proper source. The best method of analysis varies in almost every case. The general principles will, however, be seen from the *pro formâ* Cost Sheet, reproduced below.

The term "On cost" relates to the loading which the manufacturer places on to the Direct Cost, as representing general expenses and establishment charges, which it is impracticable to actually dissect over the various contracts, and which must therefore be approximately distributed by means of a percentage of loading. It need hardly be added that the more extensive the "loading" the less reliable are the Cost Accounts. So far as possible, therefore, all expenditure should be systematically analysed and spread over the various contracts to which it relates.

The following form of Cost Sheet is suitable to a Colliery :—

A. B. COLLIERY CO., LIM.

Abstract of Pay Sheet and Business for Fortnight ending

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						Production		Cost of Producing		Total Working Expenses		
						Coal Slack		Total	Rate	Amount	Rate	Amount
						T. C.	T. C.	T. C.		£ s d		£ s d
No. Pit	(Colliers)							{		}		
	(Pitmen)							{		}		
	(Banking, Screening, and Loading ..)							{		}		
No. Pit	(Colliers)							{		}		
	(Pitmen)							{		}		
	(Banking, Screening, and Loading ..)							{		}		
No. Pit	(Colliers)							{		}		
	(Pitmen)							{		}		
	(Banking, Screening, and Loading ..)							{		}		
No. Pit	(Colliers)							{		}		
	(Pitmen)							{		}		
	(Banking, Screening, and Loading ..)							{		}		
Tons												
Total Colliers' Wages								{		}		
,, Pitmen do.								{		}		
,, Wages for Banking, Screening, and Loading								{		}		
GENERAL SURFACEMEN.												
Smiths												
Carpenters and Sawyers												
Shunting Wagons												
Labourers												
Local Wharf												
Masons												
(Here will be inserted items of expenditure under such headings as Timber, Iron, Steel, Ropes, Powder, and Fuse, &c., &c., worked out at rates on the tonnage raised.)												
Total											£	

(Full particulars of Cost Accounts suitable to Contractors will be found in Dicksee's "BOOKKEEPING FOR ACCOUNTANT STUDENTS," Part. III.)

RIGHTS AND DUTIES OF LIQUIDATORS, TRUSTEES, AND RECEIVERS.

Q. 1.—What steps must a Liquidator take to carry through a compromise with Creditors under the Joint Stock Companies Arrangement Act, 1870? Upon whom is such compromise binding?

A. 1.—The liquidator must apply to the Court, which has power to order a meeting of the creditors to be called. If a three-fourths majority of the creditors agree to the compromise, it is binding on the rest. Application should then be made to the Court to sanction the compromise. The compromise is binding on all the creditors, the liquidator, and the contributories.

The compromise can be made with a class of creditors, and the meeting may be ordered to be called by the Court on the application of a creditor.

Q. 2.—State the duties of a Liquidator of a Company being wound up by the Court in connection with the books he is required to keep by the Companies (Winding-up) Act, 1890.

A. 2.—The Official Receiver, until a liquidator is appointed by the Court, must keep a book called the Record Book, in which he must enter all minutes, proceedings, and resolutions of all meetings of creditors or contributories or of the committee of inspection, and also all such matters as are necessary to give a correct view of his administration of the company's affairs. He is not bound to insert in it any confidential document.

The Official Receiver, and, when appointed, the liquidator, must keep a Cash Book in which he must enter all receipts and payments of money.

If there is a committee of inspection he must submit the Record and Cash Books to them when required, and not less than once every three months.

The books, subject to the control of the Court, are open for inspection by any creditor or contributory or his agent. (Companies (Winding-up) Act, 1890, Section 21 ; and Winding-up Rules, 1890, Rules 143, 144.)

Q. 3.—You are appointed a Voluntary Liquidator for the purpose of selling the goodwill and assets of the Company to a new Company to be formed to carry this intention into effect. Describe the procedure from the termination of the meeting of shareholders appointing you until your release as Liquidator.

A. 3.—Section 161 of the Companies Act, 1862, gives the liquidator power to receive in compensation for the transfer of the business of the company being wound up shares, policies, or other like interests in the purchasing company for the purpose of distribution amongst the shareholders of the company being wound up. If any shareholder who has not voted in favour of the resolutions expresses his disapproval of the scheme in writing to the liquidator, the liquidator must either abstain from carrying out the scheme or must purchase the interest of the dissentient shareholder. In the event of the latter course being pursued, each party appoints an arbitrator, who appoint an umpire, who decides what the value of the dissentient shareholder's interest is. After the sale is complete, the liquidator must distribute the proceeds among the members of the company being wound up.

An alternative course is now available under the Companies Act, 1900, which extends the liquidator's power to compromise with the majority of the creditors or of a class of creditors, under the Joint Stock Arrangement Act, 1870, to shareholders. A resolution passed by a majority of the shareholders is binding on

the minority. The sanction of the Court is necessary for any scheme under this Act; and recent decisions show that the Court will not sanction any scheme which does not give dissentient shareholders the same rights as they would have had if the arrangement had been made under Section 161 of the Companies Act, 1862.

Q. 4.—How should calls on contributories in a Company's liquidation be made

- (a) In a voluntary winding-up?
- (b) In a voluntary winding-up under supervision of the Court?
- (c) In a compulsory winding-up?

A. 4.—(a) The Companies Act, 1862, Section 133 (9), gives the liquidator in a voluntary winding-up power to make calls on contributories.

(b) The order for winding-up under the supervision of the Court gives the liquidator power to make calls.

(c) If there is a committee of inspection, the liquidator must get their sanction at a meeting convened for that purpose. If there is no committee of inspection, the sanction of the Court must be obtained by summons.

Q. 5.—As a Trustee in Bankruptcy you consider it necessary to commence an action at law to obtain possession of an asset of the Bankrupt's estate. What steps would you take before the issue of the writ to guard yourself against incurring any personal liability?

A. 5.—The trustee may commence an action with the sanction of the committee of inspection, or if there be no committee, of the Board of Trade. In order to make himself quite secure against personal liability he should get an indemnity from the creditors

Q. 6.—What is understood as “onerous property” in Bankruptcy? and what privilege has a Trustee in Bankruptcy with respect to it?

A. 6.—Where any part of the property of the bankrupt consists of land of any tenure, burdened with onerous covenants, of shares or stock in companies, of unprofitable contracts, or of any other property that is unsaleable or not readily saleable by reason of its binding the possessor thereof to the performance of any onerous act or to the payment of any sum of money, the trustee may in writing at any time within twelve months of the first appointment of a trustee disclaim the property. If the property does not come to the knowledge of the trustee within one month after such appointment, he may disclaim within twelve months of the property coming to his knowledge. (Bankruptcy Act, 1883, Section 55; Bankruptcy Act, 1890, Section 13.)

Q. 7.—When is the office of a Trustee in Bankruptcy terminated?

A. 7. When all the realisable property of the bankrupt has been realised and the final dividend paid, or when the trustee has ceased to act owing to a composition having been approved, or when the trustee has resigned or has been removed, the Board of Trade causes a report on the accounts to be made after giving consideration to representations made by creditors or other persons interested. The Board may then either grant or withhold the discharge subject to an appeal to the Court. The release does not take effect till the trustee has delivered to the Official Receiver all his books, papers, documents, and accounts.

Q. 8.—Explain the difference between the duties of a Receiver for Debenture-holders in a Company, and a Receiver in a Partner-

ship Action, as regards the distribution of funds which may come into their hands respectively?

A. 8.—A Receiver appointed in a debenture-holder's action devotes the funds to the satisfaction of the debenture-holders' claims. In a partnership action the funds are held for the person who is ultimately found to be entitled to them.

Q. 9.—The Order appointing a Receiver in a Chancery action directs that he shall pass his Accounts periodically. Explain fully how this portion of the Order is complied with, including the disposal of any balance shown on an Account.

A. 9.—The Receiver leaves the account in the Chambers of the Judge to whom the action is assigned, and the person having conduct of the cause gets an appointment, of which notice must be served on all parties entitled to attend. At the appointment the account is gone through with the junior clerk with the vouchers, &c. Disputed points are reserved for the Master at a subsequent appointment. A verified account is signed by the Master, at the foot of which there is a summary and a memorandum of allowance. Disallowed items are shown as deducted in the summary. Any balance is paid into Court to the credit of the cause.

(For fuller information see "KERR ON RECEIVERS," pp. 220, *et seq.*)

Q. 10.—What is the position of a Receiver and Manager appointed in a Debenture-holder's action to carry on the business of a Company as regards

- (1) Trade Creditors at date of his appointment?
- (2) Creditors for (a) Rent, (b) Gas, (c) Water-rate at date of his appointment?
- (3) Creditors for goods supplied to himself or his Agents after his appointment?

A. 10.—(1) Being appointed to protect the interests of the debenture-holders, whose claims have priority over the trade creditors, the Receiver need not pay these latter.

(2) (a) The same conditions apply to this class of creditors as to the former. The landlord may, however, distrain for rent in the period between the making of the order and the giving of security by the Receiver, unless the order empowers him to enter at once.

(b) By the Gasworks Clauses Act, 1871, Section 39, a new occupant is not liable for arrears of gas unless he has agreed with the previous occupant to pay such arrears. The question depends on whether the appointment of the Receiver causes a change in the occupation or not. This will depend largely on the form of order appointing him. In *Patterson v. Gas Light and Coke Company* (1896, 2 Ch. 476), it was held that a Receiver and Manager could not demand a supply unless he paid off the arrears previous to his appointment. The case, however, was decided under the Company's special Acts of Parliament.

(c) Local rates are, under the Preferential Payments in Bankruptcy Act, 1897, made payable out of assets coming into Receiver's hands in priority to any claim for principal or interest. Payments so made, however, can be recouped out of the assets of the company available for payment of general creditors. (See also *In re Mannesman Tube Company*, 1901, 2 Ch. 93)

(3) The Receiver is personally liable for these, but has the right to recoup himself out of the assets.

COMPANY AND BANKRUPTCY LAW.

Q. 1.—In what circumstances, affecting the residence or place of business of the Debtor, must a Bankruptcy Petition be presented to the High Court; in what circumstances must it be presented to a County Court; and in the latter case, what facts determine the selection of the County Court?

Assuming the Petition to be presented to the wrong Court, what will be the practical consequence?

A. 1.—If the debtor has resided or carried on business in the London Bankruptcy district for the greater part of six months previous to the presentation of the petition, or for a longer period during those six months than in any County Court district, or does not reside in England, or if the petitioning creditor does not know his address, the petition must be presented in the High Court. In other cases the petition is to be presented in the County Court district in which the debtor has resided or carried on business for the longest period during the six months prior to the presentment of the petition.

Where proceedings are taken in the wrong Court, a receiving order may be made in that Court. The proceedings may afterwards be transferred to the proper Court.

Q. 2.—A firm composed of one Partner who is an adult, and another who is an infant, commit an act of Bankruptcy. In what form should Bankruptcy proceedings be taken in view of the infancy of one Partner, and what will be the position of the Creditors as regards the infant's interest in the Partnership assets?

A. 2.—The proceedings should be taken against the adult partner. An infant cannot be made bankrupt, and therefore the creditors cannot get the benefit of his interest in the assets.

Q. 3.—What principle of Bankruptcy Law was established by the case of *Ex parte Waring* ?

A. 3.—Where both drawer and acceptor of a bill of exchange are insolvent, and their estates are being administered, if the parties have appropriated securities or funds to meet such, the liabilities under the bill, the holder has a right to have such securities, &c., appropriated to meet the acceptances. This is an exception to the general rule that only those between whom and the assignor there is privity may take advantage of an equitable assignment. The case is reported 19 Ves. 345; 2 Rose 182; 2 Gl. and J. 404.

Q. 4.—State precisely and without going into matters not covered by the question :—

(a) What is necessary to constitute acceptance by the Creditors, of a proposal for composition made by a Debtor under Section 3 of the Bankruptcy Act, 1890 ?

(b) Assuming such acceptance to be obtained, what further sanction is required by the same Section in order to carry the proposal through, and what are the prescribed conditions which govern the giving or withholding of such sanction both generally and with respect to any classes of debt specially mentioned in the Section ?

A. 4.—(a) A three-fourths majority in value of all the creditors who have proved will bind all the others.

(b) The sanction of the Court is necessary.

Before approving the proposal, the Court shall hear the Official Receiver's report on its terms, and also on the conduct of the debtor ; as well as any objection by creditors.

The Court shall refuse to approve the proposal if it is of opinion that its terms are not reasonable, or not calculated to benefit the general body of creditors, or in any case where the Court is

required, where the debtor is adjudged bankrupt, to refuse him his discharge. Also if any facts are proved which would require the Court to refuse, suspend, or attach conditions to the debtor's discharge, were he adjudged bankrupt, the Court shall refuse its approval, unless the scheme provides reasonable security for the payment of not less than 7s. 6d. in the pound on all unsecured debts provable. No scheme shall be approved which does not provide for payment in priority of all preference debts. Otherwise the Court has a discretion to approve or not.

Q. 5.—Where a Debtor is adjudged bankrupt, and a Trustee is appointed, what are the relative rights and obligations, as between the Official Receiver and the Trustee so appointed, with regard to Property of the Bankrupt realised, and responsibilities and expenses incurred by the Official Receiver?

A. 5.—The Official Receiver must hand the property of the bankrupt over to the trustee, and account to him. Before the estate is handed over the trustee must discharge any balance due to Official Receiver on account of fees, costs and charges, and all advances properly made in respect of the estate. Until this is done the Official Receiver has a lien on the estate.

Q. 6.—Define the three classes of Resolutions of Shareholders which are respectively provided for by the Companies Act, 1862, and give an illustration of an appropriate case for each kind of resolution.

A. 6.—(i.) An *Ordinary Resolution* is one carried by a simple majority of the members at a properly convened and constituted meeting.

Appropriate cases :—Appointment of directors ; declaration of dividends, &c.

(ii.) A *Special Resolution* is one passed by not less than a three-fourths majority of the members present at a general meeting, of

which notice specifying the intention to propose such resolution has been given and confirmed by a similar majority at a meeting held not less than fourteen days after the date of the first meeting.

Appropriate cases :—Alteration in memorandum of association ; reduction of capital ; winding-up, &c.

(iii.) An *Extraordinary Resolution* is one which is passed in such a manner as would, if it had been confirmed by a subsequent meeting, have constituted a special resolution.

Appropriate case :—Winding-up. (See Companies Act, 1862, Section 129.)

Q. 7.—What alteration was made by the Companies Act, 1900, in the law regulating the right of Shareholders to require an Extraordinary General Meeting of Shareholders to be held ?

A. 7.—Section 13 of the Act of 1900 enacts that, notwithstanding anything in the regulations of the company, the directors must, on the requisition of the holders of not less than one-tenth of the issued capital on which all calls due have been paid, convene an extraordinary meeting of the company.

The requisition must state the objects of the meeting, and must be signed by the requisitionists.

If the directors do not comply with the requisition within 21 days, the requisitionists, or a majority of them, may, within three months from the deposit of the requisition, convene the meeting themselves. Similar provisions are made for the holding of subsequent meetings to confirm resolutions, if necessary.

Q. 8.—What do you understand by the expression “One Man Company,” and how does the law stand as to the formation of such a Company and the issue of Debentures as part of the purchase money for the assets made over to the Company ?

A. 8.—A “One Man Company” is one formed by a single trader to take over his business, and the whole or majority of the shares in which are held by that trader or his family. Such a company can issue debentures which will give the trader a preference. As long as the provisions of the Companies Acts are complied with the company is legal. (*Salomon v. Salomon & Co.* (1897), A.C. 22.)

Q. 9.—On whose application, and in what circumstances, may a Life Assurance Company be wound up? What special condition applies to the case of such an application as against a Proprietary Life Insurance Company?

A. 9.—On the application of one or more policy-holders or shareholders, on proof to the satisfaction of the Court that the company is insolvent, taking into consideration contingent and prospective liabilities. A petition will not be heard unless security for costs be given, and a *prima facie* case be made out.

In the case of a proprietary company having uncalled capital, proceedings shall be suspended for a reasonable time to enable sufficient capital to be called up to make the company solvent. (Life Assurance Companies Act, 1870, Section 21.)

Q. 10.—To what extent is the Liquidator of a Company which is being wound up by the Court subject to control (a) with respect to any specified powers, and (b) with respect to his powers generally?

A. 10.—The Liquidator can without sanction :—

- (1) Sell property of company.
- (2) Execute deeds and give receipts and use company's seal.
- (3) Prove and take dividends in a contributory's bankruptcy.
- (4) Draw, accept, and endorse bills on behalf of the company and in its name.
- (5) Raise money on company's assets.

- (6) Take out, in his official name, letters of administration to a deceased contributory, and do such acts as are necessary for obtaining payment from the contributory's estate.
- (7) Do all other acts as are necessary for winding up the company.

With the sanction of the Court he may :—

- (1) Bring and defend actions.
- (2) Carry on business of company if necessary.
- (3) Pay any class of creditors in full.
- (4) Make compromises with creditors or contributories.

The liquidator is subject to the control of the Court in the exercise of all his powers generally. Any creditor or contributory may apply to the Court on matters affecting the exercise, or intended exercise, of his powers.

MERCANTILE LAW AND THE LAW OF ARBITRATIONS AND AWARDS.

Q. 1.—What is a specialty debt? Has a specialty creditor any, and if so, what advantages over a simple contract creditor?

A. 1.—A specialty debt is one which arises from a contract under seal. The chief advantages of a specialty over a simple creditor are—

The recitals in the deed are conclusive as against the parties, unless fraud be proved.

A specialty contract will support a right of action for twenty years; a simple contract for six only.

A gratuitous promise, if made under seal, can be enforced.

Q. 2.—How far, if at all, does delay in presenting a cheque for payment discharge the drawer?

A. 2.—When a cheque is not presented for payment within a reasonable time and the drawer had the right at the time of such presentment, as between himself and the banker, to have the cheque paid, and suffers actual damage through the delay, he is discharged to the extent of such damage—*i.e.*, he is discharged to the extent to which he is a creditor of the banker to a larger amount than he would have been had such cheque been paid. The holder of the cheque is a creditor of the banker, in lieu of the drawer, and may recover the amount from him. (Bills of Exchange Act, 1882, Section 74.)

Q. 3.—A. owes B. £100. X., having for good consideration verbally promised A. to pay B. the £100, fails to do so. Can A. and B., or either of them, successfully maintain an action against X.?

A. 3.—A. can maintain an action against X. B. cannot, as there is no privity of contract between him and X. If the contract were to answer for the debt, default, or miscarriage of A., the contract would have to be in writing under the Statute of Frauds.

Q. 4.—Are there any, and, if so, what cases in which it is necessary to appoint an agent (a) by writing under seal; (b) by writing not under seal?

A. 4.—(a) If agent is to have authority to contract under seal, the authority is called a Power of Attorney. Also, if the principal is a corporation, and the agent is to have power to enter into contracts which a corporation can only enter into under seal. (b) The only cases are where the agent is to have authority to enter into contracts coming within Sections 1, 2, and 3 of the Statute of Frauds, relating to leases.

Q. 5.—State accurately what are the rights of the buyer in the case of a contract for the sale of goods to be delivered by instalments when the seller makes defective delivery in respect of one or more instalments.

A. 5.—In these circumstances it is a question in each case, depending on the terms of the contract and the circumstances of the case, whether the breach of contract is a repudiation of the whole contract or a severable breach giving rise to a claim for compensation, but not to a right to treat the whole contract as repudiated. (Sale of Goods Act, 1893, Section 31 (2).)

Q. 6.—How far, if at all, can a person on attaining 21 ratify a contract entered into by him during infancy so as to make the same binding upon him?

A. 6.—The Infants' Relief Act, 1874, Section 2, enacts that no action shall be brought whereby to charge any person upon any

promise made after full age to pay any debt contracted during infancy, or upon any ratification made after full age of any promise or contract made during infancy, whether there shall or shall not be any new consideration for such promise or ratification after full age.

Q. 7.—What are the rights of the owner of a ship where the ship is lost and he has effected two policies each for the full value of the ship? Would your answer be affected by the fact that he effected one of the policies before he had any interest in the ship?

A. 7.—The owner may sue on either policy. He cannot recover more than the value of the loss. The fact that a policy has been effected before the insurer has any interest is immaterial, provided he has an insurable interest at the time of the accident.

Q. 8.—State shortly what are the principal points to bear in mind in making an award so that its validity cannot be called in question.

A. 8.—Unless the submission otherwise provides, the award must be made in writing within three months after the arbitrators have commenced the reference, or have been called on to act by one of the parties to the submission, or on or before a day fixed in writing as an enlargement of the time.

It must keep to the terms of the submission, and must be full and complete, disposing of all matters referred.

It must be final (questions of valuation, however, may be allowed to remain over).

It must be certain, and also possible, consistent, and legal.

A mistake by the arbitrator going to the root of the matter which is admitted or appears on the face of the award will vitiate it.

Fraud on the part of the arbitrator or parties will invalidate the award.

Q. 9.—In what cases will the refusal of an arbitrator to hear evidence be ground for setting aside the award?

A. 9.—The arbitrator should hear all material evidence put before him. There is one case (*Nickalls v. Warner*, 6 Q.B. 615), which states that he can exercise his discretion as to how much evidence he will hear, but the general rule is that the rejection of material evidence is a ground for setting aside the award.

When an arbitrator is appointed because of his special knowledge in some branch (*e.g.*, architecture, or knowledge of a particular trade), he need not accept evidence on these points.

Q. 10.—A reference of all matters in difference between two parties is made to an arbitrator. Upon entering on the reference, the arbitrator discovers that a year previously an award had been made in another arbitration between the same parties directing mutual general releases. Will this in any way affect the scope of the second arbitration?

A. 10.—An award is final as between the parties, subject to right of appeal within the prescribed times, both as to fact and law. The second arbitration, therefore, cannot deal with points decided in the first.

The

Institute of Chartered Accountants in England and Wales.

List of Successful Candidates

At the EXAMINATIONS held in JUNE 1902.

PRELIMINARY EXAMINATION.

(Candidates who obtained a certain number of marks, in Order of Merit)

Name	Where educated
CARPENTER, P. E. L., London (<i>Prize</i>)	Private Tuition
COATES, L. J., Bristol	Clifton College
WEBB, A. R., Manchester	Private Tuition
MARTIN, R. C., Wimbledon	Private Tuition
LYDALL, E. W., London	College Galliard, Lausanne
ALLWORK, F. C., Battle	Private Tuition
GARNETT, D. E., Southport	Private Tuition
HATFIELD, H. W., New Barnet	Private Tuition
GODBY, H. W., Ilkley	Loretto School, Musselburgh, N.B.
YOUNG, C. M., London	Private Tuition
WARREN, T. H., Taunton	Private Tuition
{ LITTLEJOHN, H. S., Taunton	Private Tuition
{ WILLIAMSON, N., Leeds	Leeds Grammar School
{ BEALEY, C. L., Rochdale	Private Tuition
{ TURNER, E., Rochdale	Private Tuition
BLAND, C. F., Colchester	Eastman's R.N. Academy, Winchester
PRESTON, C. E. H., London	Balham School

PRELIMINARY EXAMINATION—continued.

(Candidates who obtained a certain number of marks, in Order of Merit.)

Name	Where educated
COWDEN, V. P., Liverpool	Liverpool College Upper School
WRIGLEY, F. G., Oldham	Haileybury College
RAYNER, W. E., Birmingham	King Edward's High School, Birmingham
BOND, J. A., Ormskirk	Private Tuition
THRELFALL, T. M., Colne	Private Tuition
BROWN, W. H., Sunderland	Royal Grammar School, Newcastle-upon-Tyne
FLOWER, J. C., London	Congregational School, Caterham
BECKETT, H. J. R., Lowestoft	Queen's College, Taunton
DAVIDSON, A. G., Liverpool	Liverpool College Upper School
SHAW, W. H., Northampton	Northampton Town and County School

(In alphabetical order)

ARCHBUTT, G. S., Derby	Derby School
ASCOUGH, H. P. R., Norton Malton	The Mount Academy
BAILLIE, R. G., London	Private Tuition
BALDWIN, H. B. C., Brighton	Private Tuition
BEST, S., Twickenham	Private Tuition
BOSWOOD, C. G. G., London	Private Tuition
BOTTOMLEY, R., Stalybridge	Private Tuition
BRAKE, R. G., London	Private Tuition
BROOK, C. H., London	Latymer Foundation School, Hammer-smith
BROOKBANKS, B., Dudley	Private Tuition
BUNTING, B. O., Liverpool	Victoria College, Congleton
BUTLER, G. W., London	Owen's School, Islington
BUTT, R. A., Weston-super-Mare	Private Tuition
BYNG, W. L. B., London	King's College School, Wimbledon
CÆSAR, A. S., London	Private Tuition
CÆSAR, H. D., London	Private Tuition
CLARKE, H. G., London	Private Tuition
CLAXTON, A. C., Birkenhead	Sedburgh School
CLEMENTSON, R. L., St Anne's-on-Sea	Private Tuition

PRELIMINARY EXAMINATION—continued.

(In alphabetical order)

Name	Where educated
CLIVE, E. A., Birmingham	Private Tuition
COMBEN, R. J., London	Trinity College
COOKE, C. S., Leicester	Wyggeston School, Leicester
CRAIG, John, Bolton	Private Tuition
CRAMPTON, W. L., Sydenham	Private Tuition
CRANE, S., London	Private Tuition
CROSSLEY, B., Manchester	Manchester Grammar School
CURTIS, J., Leicester	Mill Hill House School, Leicester
DAVIE, Percy, Hull	Private Tuition
DAVIES, G. J., Burnley	Northern Congregational School, Silcoates
DEAN, H., Swinton, Lancs.	Central Commercial Evening School
DEWE, A., London	St. Mark's School, Windsor
DICKIE, F. T., London	Private Tuition
DRAKE, G. W., Enfield	City of London School
DRIVER-HOLLOWAY, G. H., Croydon	Charterhouse School
DUNCAN, G. A., London	University College School
EDWARDS, J. R., Liverpool	Liverpool College
EVANS, A. W., Worcester	Private Tuition
EVANS, F., Bradford	Private Tuition
EVANS, W. L., Prescot	Shrewsbury School
FIELDER, S. L., Manchester	Private Tuition
FOTHERGILL, J. H., London	City of London School
FROST, W. E., Williton, West Somerset	Private Tuition
GANTNER, S. A., London	Private Tuition
GATES, J. S., London	Private Tuition
GAVAGHAN, E. L., London	Haberdashers' School, Hampstead
GIBBONS, C. F. N., Nottingham	Private Tuition
GIBSON, A. L., Newcastle-upon-Tyne	Private Tuition
GLEN, R. H., London	Private Tuition
GRAHAM, T. E., Sutton, Surrey	Private Tuition
GRAHAMSLY, W. T., Junr., Morpeth	New College, Harrogate
GRIME, C. G., Halifax	Private Tuition
GRUNDY, E., Wilmslow	Private Tuition

PRELIMINARY EXAMINATION—*continued.*

(In alphabetical order)

Name	Where educated
HAIGH, H. E., Wigan	Hindley and Abram Grammar School
HANSCOMB, W., Croydon	Private Tuition
HARRISON, J. S., Bognor	Berkhamsted School, Herts
HAWORTH, O., Blackpool	Private Tuition
HAYWOOD, C., Bolton	Bolton Grammar School
HEAVEN, H. V., Birmingham	Private Tuition
HENRY, A. R., Wembley, Middlesex	Private Tuition
HILTON, H. R., Nottingham	St. Bees Grammar School
HOBSON, C. J., Hatch End	Ashford Grammar School
HOLGATE, W. J., Liverpool	Private Tuition
HOOPER, C. N., London	St. Paul's School
HOPE, H. S., London	Private Tuition
IVESON, F. T., Hexham-upon-Tyne	Rutherford College, Newcastle-upon-Tyne
KAY, M. J., Nottingham	Private Tuition
KENION, H. C., Rock Ferry	Charterhouse School
KENYON, J. D., Llandudno	Llandudno College
LATHWOOD, A. H., Birmingham	King Edward VI. Grammar School, Birmingham
LAWSON, F., Newcastle-upon-Tyne	Private Tuition
LEAKE, G. L., Hale, Cheshire	Sedburgh School
LEIGHTON, W., East Baldon, co. Durham	Private Tuition
LESLIE, K. W., Southport	Private Tuition
MANSFIELD, G. H., Tunbridge Wells	Private Tuition
MARTINDALE, J. B., Manchester	Kilgrimol School, St. Anne's-on-Sea
MAYNARD, F. R., London	Latymer Upper School, Hammersmith
MILLER, R., Manchester	Private Tuition
MOORE, F. A., Cambridge	Private Tuition
MORTON, W., Junr., Hyde	Private Tuition
MOSS, F. C., Rotherham	Rotherham Grammar School
MYERS, J., London	George Watson's College, Edinburgh
NETHERWOOD, H., Huddersfield	New College, Harrogate
NORTHCOTT, W. C., London	Private Tuition

PRELIMINARY EXAMINATION—continued.

(In alphabetical order)

Name	Where educated
OLDMAN, A. S., Burnley	Burnley Grammar School
PARKIN, T. C., Sheffield	Private Tuition
PEMBERTON, W. G. T., Oxford	Oxford High School for Boys
PIGGOTT, W. T., Sutton, Surrey	Mercers' School
POCOCK, G. C., London	Merchant Taylors' School
RANDALL, C. J., London	Wilson's Grammar School, Camberwell, S.E.
REILLY, M. F., Dublin	Private Tuition
ROLLO, M. G., Liverpool	Uppingham School
ST. JOHN, J. F., London	Private Tuition
SCOTT, A. F., London	St. Francis Xavier's College, Bruges
SELLERS, B. A., Baildon, near Shipley	Salt Schools, Shipley
SHAW, H. L., Anerley	Archbishop Harsnett's Grammar School, Chigwell
SIMPSON, W., Devizes	Private Tuition
SKILLINGTON, S. J. Leicester	Private Tuition
SLAUGHTER, M. F., Diss	Private Tuition
SMEDLEY, W. H., London	University School
SMITH, G. W., Huddersfield	Private Tuition
SMITH, T. B., Southport	Private Tuition
SOULSBY, W., Hull	Private Tuition
SPIKING, H., Birstall, near Leeds	Private Tuition
SPROAT, E., Halifax	Private Tuition
STEWART, F., Sheffield	Private Tuition
SUTCLIFFE, A. L., Halifax	Private Tuition
TEASDALE, E. G., Kibworth	Private Tuition
TEMPLEMAN, A., Hull	Hymer's College, Hull
THRELFORD, W. L., London	Private Tuition
TOWNSEND, R., Birmingham	Private Tuition
TWEEDALE, H., Oldham	Private Tuition
WALKER, A. G., Liverpool	Hawkshead Grammar School
WALTON, H. B., Sale, Cheshire	Private Tuition
WARWICK, L. B., Newcastle-upon-Tyne	Harrow School

PRELIMINARY EXAMINATION—continued.

(In alphabetical order)

Name	Where educated
WATERWORTH, G., Blackburn	Sedburgh School
WHITFIELD, H., Lee's	Woodhouse Grove School, Apperley Bridge
WICKMAN, C. E., Hull	The Grammar School, Hull
WILLIAMS, H. M., London	Private Tuition
WILLIAMS, J. L., Croydon	Leys School, Cambridge
WILLIAMS, O. M., London	Private Tuition
WOMERSLEY, C. F., Manchester	Woodlands School, Fallowfield
WOOD, C. C., Birmingham	Handsworth Grammar School
WOOD, R. B., Harrogate	Private Tuition
WOOLGER, H. D., London	Private Tuition

57 Candidates failed to satisfy the Committee.**INTERMEDIATE EXAMINATION.**

(Candidates who obtained a certain number of marks, in Order of Merit)

JACOB, A. (<i>Prize</i>) (W. B. Peat), London
{ APPLEYARD, H. (W. H. Armitage), Dewsbury
{ BARNETT, B. (A. C. W. Rogers), Nottingham
SCHOFIELD, E. B. (C. W. Provis), Manchester
BISHOP, F. B. (H. A. Booty), London
MEACOCK, S. A. (W. Meacock), Newport
STAINFORTH, R. H. (H. C. Firmin), London
PALMER, E. H. (R. A. Page), Nottingham
REACHER, W. (J. H. Jenks), London
REES, P. M. (E. E. Price), London
BOULTER, W. B. (I. L. Ensor), Ipswich
CASTLE, W. H. (R. A. Felton), Birmingham
NORTH, W. J. (W. C. Doggett), London
HANSON, J. E. (J. J. Saint), Carlisle
{ ANDERSON, J. H. (W. F. Robinson), Hanley
{ SCOTT, G. C. (G. Wilkins), London
{ KILNER, A. H. (A. H. Randall), London
{ NORDABY, H. G. (W. Curtis Thomson), London
BROWNSWORD, E. A. (H. Kidson), Manchester

INTERMEDIATE EXAMINATION—*continued.*

(Candidates who obtained a certain number of marks, in Order of Merit)

- KNEESHAW, J. W. (T. Proctor), Burnley
 WATSON, H. (R. G. M. Creasey), London
 { FORD, C. H. (F. Atkin), Nottingham
 { SIMPSON, T. H. (W. Simpson), Leeds
 { TROBRIDGE, C. R. (H. S. Smith), Birmingham
 { BURNLEY, W. E. (S. S. Dawson), Liverpool
 { MOSS, A. H. (W. H. Copley), Rotherham
 { CUTFORTH, A. E. (W. Cash), London
 { HAWSON, W. G. (W. G. Hawson), Sheffield
 { SMITH, H. (C. W. Wood), Bradford
 { ALLEN, F. (J. W. Hinks), Birmingham
 { DUNCAN, D. R. (O. W. Williams), London
 { EVENS, A. S. (H. T. McAuliffe), London
 { FAREY, F. H. (H. C. K. Stileman), London
 { LAYCOCK, H. P. (T. Ford), London
 { PIGGOTT, A. E. (F. W. Pixley), London
 SMITH, J. P. (W. Bolton), Manchester
 PITTS, J. W. (S. S. Dawson), Liverpool.
 HOGARTH, T. H. (R. Hodgson), Hull
 { BENJAMIN, F. H. (J. O. Asquith), Coventry
 { TATTERSALL, J. (S. B. Simmons), Liverpool
 TITJEN, E. W. (E. E. Fox), Hastings
 JOHNSON, F. (W. Smailes), Hull
 { LEACH, J. B., LL.B., B.A. (E. B. Edwards), Manchester
 { MURRAY, R. H. (J. A. Carse), Manchester
 BERRY, G. T. (J. H. Bourne), Liverpool
 ANDREW, F. W. B. (W. C. Grant-Smith), Wolverhampton

(In alphabetical order)

- AMSDON, E. V. (E. Amsdon), London
 ARMSTRONG, H. J. (J. J. Gillespie), Newcastle-upon-Tyne
 ARMSTRONG, T. S. (T. Eyton), Newcastle-upon-Tyne
 ASHTON, F. D. (J. K. Hollingbery), Manchester
 BAGULEY, G. F. R. (W. E. Vellacott), London
 BARTON, H. M. (G. A. Gale), Hull
 BEDELLS, S. K. (A. J. Chamberlain), Nottingham
 BEECH, A. (J. Ashton), Manchester
 BESWICK, J. F. (R. McNaught), Manchester
 BOOTH, J. (W. Beanland), Bradford
 BOWDEN, J. H. (W. A. Harper), Bolton

INTERMEDIATE EXAMINATION—continued.

(In alphabetical order)

- BRANDON, V. G. (W. H. Earl), Newcastle, Staffs.
BRIERLEY, W. W. (J. Brierley), Oldham
BRITTAIN, H. M. (J. Gane), London
BURFORD, S. J. (G. F. Payne) Stroud
- CAMPBELL, G. L. (A. Campbell), Wigan
CHISLETT, R. (C. H. Moss), Rotherham
CLARE, T. (T. H. Gough), Dudley
CLARK, C. E. (W. Adgie), Leeds
CLARK, G. E. (J. C. Kirk), Leeds
CLIFTON, A. C. (T. F. Wild), London
COOKE, C. A. (F. O. Grant), London
CROSS, E. J. (E. H. Fletcher), London
CROWE, J. W. (L. H. Heeley), Birmingham
- DIGNASSE, E. D. (H. P. Walters), London
DUDLEY, E. W. (T. E. Shuttleworth), Sheffield
- ELDER, G. B. (D. A. McNeight), Liverpool
- FINCHETT, J. D. (W. Conway), Chester
FOSTER, H. H. (F. H. Metcalfe), Sheffield
FOXON, M. H. (R. L. Foxon), Sheffield
FRENCH, A. S. (L. S. Samuels), Manchester
- GARDINER, J. (A. H. Chalmers), Liverpool
GOODALE, E. F. (F. W. Lord), London
GOULD, R. W. (H. C. Lewis), Birmingham
GREEN, S. (N. H. Deakin), Sheffield
- HALLETT, B. F. (E. Hill), London
HAMP, J. (W. B. Keen), London
HANCOCK, J. (C. E. Bullock), Hanley
HARRISON, E. C., B.A. (E. M. Carter), Birmingham
HASLAM, A. (E. Guthrie), Manchester
HEAP, A. H. (J. Wortley), Sheffield
HEIGHWAY, K. (R. Oswald), Manchester
HEYWARD, A. C. (F. H. Tod), London
HIRSCH, D. F. (J. C. Maisey) Leeds
HUDSON, J. (H. Mather), Bolton
- LARCOMBE, T. D. R. (W. G. Jefferys), London
LAVERICK, F. S. (W. Davison, Junr.), Sunderland

INTERMEDIATE EXAMINATION—*continued.*

(In alphabetical order)

LEIGHTON, B. J. (E. W. Forrest), Birmingham

MACKENNAL, W. L. (V. L. Newton), Manchester

MAGER, A. (F. L. Fisher), London

MARSDEN, P. (G. S. Holmes), Wigan

MASON, A. F. (J. W. Barratt), Birmingham

MATHEWS, F. S. R. L. (E. M. Carter), Birmingham

MONTGOMERY, W. J. (F. S. Lucey), London

MOORE, B. A. (F. Creke), Birmingham

MORRIS, F. W. (C. H. Wright), Stafford

NELSON, G. (G. E. Haworth), Manchester

NUTTER, E. J. M. (J. Butterfield), Bradford

PALMOUR, W. S. L. (W. H. Ainsworth), Preston

PHIPP, D. W. H. (W. E. F. Thorp), Devizes

REED, W. (A. Reed), Whitehaven

ROBERTSON, F. (R. H. Holmes), Newcastle-upon-Tyne

ROTHERA, G. H. (W. R. Hamilton), Nottingham

SHAW, H. C. (H. G. Blackburn), Leeds

SHAW, H. I. (E. Littlejohn), London

SICH, H. E. (E. Bull), London

SNOWDEN, E. E. (E. E. Price), London

SOUTHCORBE, R. (S. Pears), London

SPARKES, T. M. (J. G. Litton), Manchester

SQUIERS, R. G. (J. Squiers), Birmingham

THORPE, C. E. (E. H. Turner), Manchester

TROTMAN, L. V. (A. S. Cavell), Bristol

TYLER, R. B. (J. S. Mallam), London

WALKER, C. E. (J. W. G. Hill), Birmingham

WALKER, J. S. (H. M. Branford), London

WATKINS, E. (D. Roberts), Cardiff

WHITLEY, A. de W. (J. R. Whitley), Keighley

WICKENDEN, P. (R. G. M. Creasey), London

WILSON, C. S. (W. A. Smith), South Shields

INTERMEDIATE EXAMINATION—continued.

(In alphabetical order)

YEOMANS, C. E. (E. J. Abbott), Birmingham
 YOUNG, A. W. (J. Carr), Newcastle-upon-Tyne
 YOUNG, F. C. (N. H. Deakin), Sheffield

42 Candidates failed to satisfy the Committee.**FINAL EXAMINATION.**

(Certificates in Order of Merit)

{ COOK, G. K. (R. R. Daly), Liverpool
 { PEGLER, E. C. (J. A. Heiron), London
 JAMES, E. (H. L. Nichols), London
 LANHAM, S. H. (G. Clark, Junr.), London
 CHAPMAN, R., B.A. (H. Chapman), South Shields
 DENNIS, H. (B. S. Dunn), London
 ELWORTHY, W. R. (R. Peters), Cambridge
 HUGGINS, L. O. (A. Wenham), London
 GIMSON, D. M. (J. A. Hopps), Leicester
 WOOD, J. P. (G. Proctor), Burnley
 RADFORD, E. A. (T. Johnston), Manchester
 { MARWOOD, W. J. W. (W. C. Spencer), Liverpool
 { WINDUS, A. J. (W. J. Ogden), London
 BOWLER, H. W. (G. Bowler), Liverpool
 GISBURNE, R. E. (T. H. Maskall), London
 MILLER, E. (J. Wilson), Manchester
 { CUFF, R. T., Junr. (L. Hardy), London
 { WHEATCROFT, L. (J. E. Ward), Birmingham
 HOPE, F. H. W. (A. E. M. Davis), London
 PARKER, J. J. (J. H. Watling), Bristol
 COX, C. (H. J. Page), London

(In alphabetical order)

ARDRAN, P. W. (F. Hilditch), Liverpool
 ASHURST, A. P. (S. Hodsoll), London
 BADDELEY, L. A. (C. O. Webb), London
 BAILEY, T. H., Junr. (R. E. Smalley), Preston
 BARLEY, H. L. (J. Watson), Carlisle
 BENTLEY, H. C., B.A. (J. G. Fowler), London
 BODEN, D. (J. E. Lees), Manchester
 BROCKLEHURST, E. H. (E. W. C. Oates), Liverpool

FINAL EXAMINATION—continued.

(In alphabetical order)

CAMM, W. U. (F. H. Metcalf), Sheffield
CHEVALIER, H. I. (G. Cloutte), London
CLARK, H. E. (G. Clark, Junr.), London
CLARKE, A. (L. H. Elkington), Birmingham
CLARKE, F. G., B.A. (E. Boothroyd), London
COBDEN, A. S. (T. F. Armstrong), London
CRAWFORD, E. W. (J. Stubbs), Liverpool
DANIELL, J. L. (L. B. Warmington), London
DARTON, T. H. (P. W. Straus), London
DAVIS, J. (C. Beevers), Leeds
DOBREE, C. H. (H. C. Sargent), London
DRYDEN, R. (W. H. Ainsworth), Preston
DUCKWORTH, W. R. (H. Williamson), Manchester
ELLIOTT, H. (E. Musgrave), Bradford
ELLIS, R. (T. Gillespie), Newcastle-upon-Tyne
GINZ, E. (E. Hobbs), London
GRAVES, H. R. (A. J. Downs), Hull
GREENWOOD, F. T. (S. Jeffreys), London
GRIFFIN, W. S. (T. Wise), London
GRIFFITHS, G. C. (G. Cloutte), London
GROOMBRIDGE, R. T. (E. Hobbs), London
HALL, R. T. (W. J. Davidson), Birmingham
HAMER, F. (W. Moss), Ashton-under-Lyne
HANDLEY, A. R. (A. G. Wilde), Manchester
HAWKINS, E. J. (F. Hyland), London
HUDSON, F. H. (O. H. Caldicott), Birmingham
KILLBY, C. (A. Good), London
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